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ABSTRACT

This handbook for businesses explains the benefits and incentives provided by the Targeted Jobs Tax Credit (TJTC) and the Job Training Partnership Act (JTPA) and shows how businesses can take advantage of them. An introduction summarizes the two pieces of legislation. Section 1 furnishes the specifics on the TJTC and explains how businesses can put it to work. The tax savings are detailed; the nine target groups are defined; appropriate regulations are explained. The process and paperwork are briefly addressed. Section 2 explains how JTPA works on the local level. Participant eligibility and delivery structure are considered. Sections 3 and 4 describe JTPA-sponsored activities that can benefit a business. On-the-job-training (OJT) is discussed in terms of setting up the program, recruiting and screening candidates, developing a training plan, and completing the OJT contract. Two major types of programs and services that might be provided in the community are described: tailored programs (customized training, upgrading, on-site industry specific training, retraining) and general services (screening, preemployment training, classroom skills training). Appendixes include TJTC and OJT reference materials (sample forms) and a glossary. (YLB)

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BOTTOM LINE BENEFITS:

INCREASING PROFITS THROUGH TARGETED TAX AND JOB TRAINING INCENTIVES

A HANDBOOK FOR BUSINESS

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National Alliance of Business
Washington, D.C.
June, 1983

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TABLE OF CONTENTS

Page

Foreword v

Introduction 1

Section I Targeted Jobs Tax Credit. 5

Section II Job Training Partnership Act at the Local Level. 15

Section III On-the-Job Training Contracts 23

Section IV Other Incentives and Benefits Under the Job Training Partnership Act 31

Conclusion 35

Appendix A: Targeted Jobs Tax Credit Reference Materials 37

- o Sample Applicant Eligibility Questionnaire
- o Sample Eligibility Voucher
- o Sample Certification (ETA # 8470)
- o Cooperative Education Student Certification (IRS # 6199)
- o Internal Revenue Service Jobs Credit Form 5884
- o Internal Revenue Service Publication 906 - Jobs and Research Credit

Appendix B: On-the-Job Training Reference Material 51

- o Training Planning Worksheets
- o Sample Training Outline
- o Sample On-the-Job Training Contract

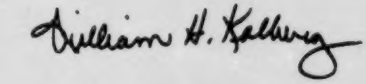
Appendix C: Glossary 59

FOREWORD

For years, business has been criticizing government for overregulation, heavy taxation, too much federal intervention, and a general anti-business sentiment. The times are changing.

This is especially true in employment and training. Congress recently acted on two items—the Targeted Jobs Tax Credit (TJTC) and the Job Training Partnership Act (JTPA)--which provide new opportunities for business. These complementary pieces of legislation are designed to let local business take the lead in job creation and training. They provide strong incentives and benefits for doing so.

This handbook has been developed to explain what these benefits and incentives are and how your business can take advantage of them. In addition, it indicates how, by collaborating in partnership with other businesses and government in your community, your company can add to its own bottom line and "Help America Work."



William H. Kolberg
President
National Alliance of Business

INTRODUCTION

The Targeted Jobs Tax Credit (TJTC) and the Job Training Partnership Act (JTPA) provide real opportunities for your company to save dollars and to improve the skills of your work force.

What is the Targeted Jobs Tax Credit?

TJTC provides a direct tax credit that your company can receive for hiring employees from among nine categories of targeted groups identified in the legislation. For each targeted eligible employee hired, your company can receive up to:

- $3,000 in tax savings in year one, and
- $1,500 in tax savings in year two.

TJTC is not exactly new. It has existed in some form since 1978. What is new, however, is that when Congress recently extended the enabling legislation through 1984, it made TJTC easier to use and added a new category of eligible workers —summer youth. Section I of this handbook furnishes the specifics on the credit and how you can put it to work for your company.

What is the Job Training Partnership Act?

The Job Training Partnership Act was signed into law in October, 1982. The Act calls for the establishment of local partnerships between the public and private sectors for the purposes of planning and delivering employment and training services to the economically disadvantaged and long-term unemployed.

The primary intent of the Act is to help secure greater business involvement in creating a system that will assist un-

employed individuals becoming productive members of the labor force. However, more importantly for your company, the legislation is also carefully structured to allow businesses to derive substantial benefits for participating in activities allowed under the Act.

These activities and their benefits include:

- on-the-job training or OJT (with reimbursement to the employer of up to 50% of training wages);
- classroom training programs for occupations which are in demand in the local job market;
- customized training to meet your company's specific training needs;
- upgrading and retraining of current employees;
- supportive services (e.g., participant recruitment and assessment) necessary to enable trainees to participate in the program;
- programs which improve work habits and better prepare persons to obtain and retain employment;
- remedial education and basic skills training.

Section II of this handbook explains how the Job Training Partnership Act works on the

local level. Sections III and IV describe the above-mentioned programs in more detail. More written information on either the Act or its programs, can be obtained by writing the NAB Clearinghouse, 1015 15th Street, N.W., Washington, D.C. 20005, and requesting the following publications:

- "Explanation and Analysis of the Job Training Partnership Act of 1982" (Nov. 1982), $5.00.

- "Private Industry Council Roles and Options: Making the Job Training Partnership Work" (Dec. 1982), $8.00.

- "The Whole PIC Catalog: Organization. Planning and Service Delivery Options Under JTPA" (April, 1983), $7.95.

To find out how the Targeted Jobs Tax Credit and Job Training Partnership Act work in your community, contact the local private industry council or the nearest NAB regional service office listed in the back of this publication.

SECTION I TARGETED JOBS TAX CREDIT (TJTC)

Chronic high unemployment continues to persist for many groups of Americans. To help solve this problem, the U.S. Congress extended the Targeted Jobs Tax Credit (TJTC) legislation until December 31, 1984. The goal of this credit is to increase job opportunities for individuals who face difficulties entering the work force because of a lack of prior work experience, limited training or skills, or hiring biases.

Tax Savings

The Targeted Jobs Tax Credit is designed to achieve its goal by enabling your business to reduce its federal income tax liability by hiring TJTC-eligible employees to fill job openings. Specifically, TJTC allows you to claim a tax credit based on the wages paid to each eligible new employee hired before December 31, 1984. The credit is 50 percent of first-year wages (up to $6,000 per employee) and 25 percent of second-year wages (up to $6,000). This translates into a maximum total credit per employee of $4,500 ($3,000 the first year and $1,500 the second).

Summer Youth

The law also contains an important new provision which benefits employers who hire youth during the summer months. For eligible summer youth employees, a company earns a tax credit of 85 percent of the first $3,000 in wages paid that employee for up to 90 days between May 1 and September 15.

The credit may be used to offset up to 90 percent of a firm's federal tax liability in a given year. In addition, tax credits that cannot be used in the year they are earned may be carried back three tax years and/or carried forward fifteen years.

The actual tax saving effect of TJTC can be substantial. For example, an employer in the 18 percent tax bracket can save $3,690 per permanent TJTC employee over a two-year period, as shown in the following calculations.

First Year:

Gross tax credit	50% x $6,000 =	$3,000
less		
Tax Effect of reducing payroll cost by tax credit	18% x $3,000 =	$540
equals		
Net tax benefit		$2,460

Second Year:

Gross tax credit	25% x $6,000 =	$1,500
less		
Tax effect of reducing cost by tax credit	18% x $1,500 =	$270
equals		
Net tax benefit		$1,230

Total Savings for Two Years:	$3,690

The amount your business can save depends upon its tax bracket — the lower the bracket, the more tax dollars saved and, the more TJTC hires, the more taxes saved.

Target Groups

TJTC is directed at the economically disadvantaged and those who encounter other barriers to employment. Individuals eligible for TJTC certification come from the following nine target groups:

- Economically disadvantaged youth, ages 18 to 24
- Economically disadvantaged Vietnam-era veterans
- Economically disadvantaged, cooperative education students, ages 16-19
- Supplemental Security Income (SSI) recipients
- General assistance (welfare) recipients
- Economically disadvantaged ex-offenders
- Handicapped individuals and disabled veterans
- Work incentive (WIN) participants
- Economically disadvantaged summer youth employees, ages 16-17.

The Employment Service, local private industry councils and other employment organizations can help you identify individuals who qualify for the credit. So, while you are not responsible for determining the eligibility of individuals, it is important that you are familiar with the target groups so that you will not miss an opportunity to benefit from the credit.

Each of the targeted groups is briefly defined and appropriate regulations are explained below for your information.

An economically disadvantaged youth is an individual, age 18 to 24 on the date of hire,

from an economically disadvantaged family. An economically disadvantaged family is one in which the total family income, during the six months before the person's hiring date, was not greater than 70% of the Bureau of Labor Statistics lower living standard.

An economically disadvantaged Vietnam-era veteran is a person who is certified as having served on active duty in the armed forces of the United States during the Vietnam War, or had been discharged for a service connected disability. This category does not cover career service people or those who served on extended active duty after the Vietnam era and before employment. An individual hired under this category must also be economically disadvantaged as defined above.

A cooperative education student is a 16 to 19-year-old youth from an economically disadvantaged family who has not graduated from high school or vocational school and is enrolled in and actively pursuing a qualified cooperative education program. Even if amounts received by these individuals do not qualify as wages under Federal Unemployment Tax Act (FUTA), the amounts paid to these individuals will still qualify for the Targeted Jobs Tax Credit.

A Supplemental Security Income recipient means an individual receiving federal welfare -- i.e., supplemental security benefits for any month that ends on the day you hire the employee.

A general assistance recipient is any individual who received assistance under a qualified general assistance program for a period of at least 30 days or more within the two months prior to the hiring date (the pre-employment period). That assistance must be based on need and consist of money payments, voucher or script.

An economically disadvantaged ex-offender is someone who has been convicted of a felony, is from an economically disadvantaged family, and is hired not more than five years after the last date of conviction or release from prison.

A handicapped individual is a vocational rehabilitation referral who has a physical or mental handicap which is substantial or which results in a substantial handicap to employment. Additionally, this person is referred while engaged in or having completed a vocational rehabilitation program approved by the Rehabilitation Act of 1973 or under Chapter 31 of Title 38, United States Code.

An eligible WIN employee is an individual who has been certified by the designated local agency as eligible for dependent children payments under Part A of Title IV of the Social Security Act and has continually received such assistance during the 90-day period before the hiring date; or, had been placed in employment under a WIN program set up under the Social Security Act.

An economically disadvantaged summer youth is an individual, age 16-17, who has not been employed by you previously, and is a member of an economically disadvantaged family as defined earlier.

Process and Paperwork

One of the nicest things about TJTC is that the process and paperwork for implementing it are straightforward. (See Appendix A for samples of all forms used in the TJTC process, and IRS publication 906 for the specific rules governing the credit.)

A new worker's eligibility for the credit is established with only two simple forms:

- a preliminary voucher stating that the worker is probably eligible, and

- a final certification that the worker is eligible.

The local Job Service , the private industry council or another approved agency issues a voucher which shows the employer that the applicant is likely to be eligible for the credit. If you decide to hire a vouchered applicant, you simply return the employer portion of the voucher to the State Employment Security Agency on or before the date of hire. A certification is then issued by the Employment Security office for the employer's tax records. (In the case of a cooperative education student, instead of getting the voucher and certification from Employment Security, you secure a special Cooperative Education Student Certification Form 6199 from the school which the student is attending.)

At tax time, you complete IRS Form 5884 - Jobs Credit, a simple form that is filed with your tax return. Only one Form 5884 is required, no matter how many TJTC employees your company hires. Line 24 of Form 5884 explains where to enter the total credit on whichever corporate form your company uses to file its return.

TJTC in Practice

As the foregoing discussion attests, TJTC offers tremendous returns and is easy to use. Claiming the credit is only a small detail tied in with your normal filing of the corporate tax statement. Using this credit does not expose your company to other federal regulations.

As importantly, TJTC has absolutely no impact on your ultimate hiring decision. Control of the hiring process remains entirely up to you. You may rely solely on the Job Service for qualified referrals with vouchers or you may screen off-the-street job applicants yourself to identify potential TJTC eligibles (see Appendix A for a questionnaire that can be used for that purpose).

You interview as many applicants as necessary to find the right person for the job. TJTC does not compromise your labor force standards.

Even the manner in which you choose to certify an employee as eligible is your choice. You can ask the employee to take care of the process or you can assist. The important point to remember is that the

certification must be issued or requested in writing on or before the employee begins to work.

This can be accomplished in one of two ways: by submitting the employee's previously issued voucher to the State Employment Security Agency for certification; or, by writing a letter including the employee's name, address, social security number, and the date the individual is to start work. The request for certification must be postmarked no later than the day the employee begins work. The state office then issues the certification which enables you to claim the tax credit.

Putting the Credit to Work

Thus, the Targeted Jobs Tax Credit is a relatively painless and flexible process which allows your company a great deal of latitude. Undoubtedly, the simplest way of making the process work for you is by developing a close and collaborative relationship with the state Employment Security Agency and the local Job Service office closest to your company.

Recommended steps for accomplishing this include:

1. TJTC is administered somewhat differently in each state. Contact the TJTC Coordinator in your state office to get the specific procedures which are applicable to your company.

2. Invite an official from a local Job Service office to your business site to discuss how TJTC can work for you. This would also be a good time to ask for suggestions on how to get TJTC-qualified appli-cants.

3. Place "TJTC preferred" job orders with the local Job Service office.

4. Update these orders regularly.

5. Maintain on-going contact with the local office representative to ensure a steady stream of applicants, necessary feedback and follow-up. The local Job Service office gets credit and recognition for assisting you in securing TJTC placements.

Points to Remember

To close this examination of TJTC, the following nuances and restrictions are worth noting:

Certification: Timely request for certification is essential. TJTC is not complete and valid until a certificate is issued. A TJTC voucher is "one step away" from a cerfificate. Do not simply collect vouchers. As noted, the request for certification must be submitted to the state office (i.e., postmarked) on the day or before a new employee is put on the payroll.

Weekend and Evening Job Applications: Since TJTC certification requests must be provided by the first day of employment, Saturday, Sunday and evening applicants may present a special problem if your company does not also process its personnel paperwork during these time periods. If this is the case, and you want to hire a TJTC eligible applicant interviewed in these time periods, that individual should not be hired and be put on the payroll until certification can be processed.

Rehired Employees: The tax credit may not be taken on the wages of a former employee who is rehired by a firm unless that employee was certified as a member of a targeted group throughout the earlier period of employment. This rule applies even if the employee is certified when rehired. It is designed to prevent firms from deliberately laying off current workers and then rehiring them to collect the credit.

Home Employees: To claim the credit on an employee's wages, over half of those wages paid during any tax year must be earned by the employee in your trade or business. Therefore, maids, chauffeurs and other employees who work only in your home would not qualify for the credit.

Nepotism: Wages paid to employees who are closely related to the employer or are dependents of the employer living in his/her household do not qualify for the credit. This provision affects employers who are single proprietors, members of partnerships, controlling stockholders of a corporation, or beneficiaries of an employing estate or trust.

For additional information on TJTC, refer to IRS publication 906 — Jobs and Research — contained in Appendix A. To find out exactly how the TJTC program operates in your state and can best be put to your advantage, contact the TJTC Coordinator in your state Employment Security Agency or local Job Service office.

SECTION II JOB TRAINING PARTNERSHIP ACT (JTPA)

The Job Training Partnership Act of 1982 was passed to help prepare low income and long-term unemployed youth and adults become productive members of the labor force. To accomplish this, the Act authorizes funding and sets out requirements for providing training and related services at the local level.

JTPA: A NEW APPROACH

The Job Training Partnership Act (JTPA) represents a new approach in assisting the economically disadvantaged. As the chart on the following page demonstrates, this Act has a number of features which differentiate and distinguish it from its predecessors.

Prior Employment and Training Legislation	JTPA
• Mandated the specific programs to be operated.	• Allows the local level to decide the types of training to be delivered with federal funds.
• Gave pre-eminence to and relied almost solely on government units for program administration.	• Requires the establishment of a public-private partnership at the local level to run the program and equalizes authority among the partners over all aspects of policymaking, planning, administration, and program operations.
	• Stipulates that most funds must be spent on training and skill development so that participants can get and keep full-time jobs in the private and public sectors.
• Created many "make-work" or public service employment jobs and allocated a large percentage of funds to income transfer or support functions such as wages, trainee allowances, and supportive services.	
• Provided for automatic funding. Did not associate program performance with funding considerations.	• Establishes minimum performance goals in terms of factors such as earnings gain and reduced welfare dependence -- which must be met if the local programs are to continue to receive funding.

Prior Employment and Training Legislation

- Assigned all review and oversight responsibilities to the Department of Labor through its regional offices.

JTPA

- Delegates the responsibility for functions such as local plan approval, final oversight and program performance review to the states.

Obviously, JTPA is not business as usual. Indeed, it is a landmark piece of legislation which calls for a new approach to doing business -- one which gives your company an expanded opportunity to play a role in shaping what happens in job training and to benefit directly from that involvement.

To help you participate, the remainder of this section provides some background information on the Job Training Partnership Act and how will be implemented.

JTPA Participant Eligibility

Job training programs under this Act are primarily intended for and restricted to economically disadvantaged youth (ages 16 through 21) and adults, to include persons who are:

- in a family with an income at or below either the official poverty level or 70% of the lower living standard income level;
- receiving cash welfare payments under federal, state or local programs;
- food stamp recipients;
- foster children receiving state or local government cash support;
- handicapped adults whose own income meets economically disadvantaged criteria but whose family income does not.

In addition to the disadvantaged, up to 10% of all participants in a local program may be

considered eligible if they have encountered other barriers to employment. Examples of such individuals include (but are not limited to) those who are: limited in English-language proficiency, displaced homemakers, school dropouts, teenage parents, handicapped, older workers, veterans, offenders, alcoholics or addicts.

JTPA Delivery Structure

Again, eligible individuals can be identified for you by the local administrative agency for the service delivery area. The full procedures for the implementation of JTPA and the roles of federal, state and local governments are somewhat detailed and complex. However, the essentials on how the Act works can be boiled down to the following four steps:

1. The Federal government appropriates JTPA funds to the state.

2. The state allocates the funds among its service delivery areas (SDA) - a sub-state area with a population of 200,000 or more which conforms to a labor market or standard metropolitan statistical area.

3. Each SDA employs the funds to implement its plan which has been developed and approved by the local government entity and the private industry council (PIC) for the SDA.

4. The PIC, in conjunction with the local government entity, oversees and monitors the operation of the local program.

The structure of the job training delivery system, the process for administration, and the private industry council may vary substantially from one locality to another to best respond to local conditions and needs.

However, the important point to remember as a business person is that the implementation of JTPA at the local level is meant to result in an equal partnership between the public and private sectors. The private industry council is the primary mechanism for ensuring that the partnership is achieved.

The private industry council reflects and represents local business interests. A majority of its members are owners of business concerns, chief executives or chief operating officers of companies, and other private sector executives who have substantial management or policy responsibility. The Act further states that, whenever possible, at least one-half of the representatives be from small businesses -- defined as for-profit firms with 500 or fewer employees.

Thus, your local PIC is an excellent vehicle for ensuring that your company's job training needs are addressed through programs and services delivered within your service delivery area.

The next two sections of the Handbook describe JTPA-sponsored activities which can benefit your business.

Possibly the single most attractive program for businesses allowed under the Act is on-the-job training (OJT). OJT can help your company because it subsidizes the cost of training new employees to learn to do the job for which they have been hired. OJT can pay up to 50% of an eligible new employee's salary for a long as 6 months.

SECTION III ON THE JOB TRAINING (OJT) CONTRACTS

OJT's Purpose and Benefits

This funding arrangement enables your business to lessen the costs of hiring and training eligible new workers who have the necessary aptitudes and attitudes to learn and perform jobs. It also addresses some basic concerns which you might have, related to hiring the economically disadvantaged. These include:

- the cost associated with training new employees;
- your company's particular way of getting its work accomplished;
- the risk involved whenever a new employee is hired;
- extra time which the economically disadvantaged worker may need to learn and perform the work to company standards; and
- additional support services or assistance which the economically disadvantaged worker may need during the initial period of employment.

An on-the-job training program can be developed for your business to help answer your company's needs, while at the same time help disadvantaged workers become productive and loyal employees. Let's look at the benefits of OJT in a little more detail.

OJT helps to pay some of the high costs of training new employees. It takes time for a new employee to learn how to do a job the

way a company wants it done. It also takes time for another employee to train the new worker. Both of these factors affect company productivity.

The OJT program funded under JTPA helps to cover these training costs by reimbursing you for part of the eligible new worker's wages. You pay a new worker the going wage rate in your company for the particular job for which the employee has been hired, and OJT will reimburse you for up to half that amount for a maximum of 26 weeks. In most areas, all you need to do is submit a monthly invoice to your OJT agency to secure your reimbursement.

OJT lets the employer design a training program to meet its own unique needs and standards. You decide what is needed to train a new worker to perform the job the way you want it performed. This allows you to train the new worker with your technology, your equipment, and according to your company's standards. In most areas, all you need to do is submit an outline specifying the basic tasks and the number of hours expected to learn those tasks. This outline is turned into a "training plan" which becomes part of a contract with the OJT agency. (See Appendix B for training planning worksheets and a sample training plan.)

OJT helps reduce the risk involved in hiring a new employee. During the training period, you can observe the new employee as he/she works in your company setting. OJT subsidizes the time it may take your new

employee to "acclimate." You also have the option of letting the employee go if the situation calls for termination. The OJT period thus acts as a probationary period which is subsidized as the employee moves through the learning process.

OJT subsidizes any extra time that a new worker may need to learn to perform the work to company standards. By reimbursing up to half of the new employees wages for as long as six months, OJT in effect pays for the extra time it may take an economically disadvantaged worker to learn the tasks of the job. This generous time allotment allows for a "practicum" period for the new worker to apply his/her newly developed skills.

OJT frequently provides for additional support which assists the new worker in adjusting to the job. Economically disadvantaged workers may have special problems that initially need special attention at the workplace. Given appropriate support services at the onset of employment, these new workers can become productive and loyal employees. Depending on the agency and the contract you develop, it is sometimes possible to secure, for example, the services of a job counselor, temporary transportation or remedial skills training. In most cases, you have the support of a well-staffed JTPA service delivery agency. These support services can be specified in the OJT contract.

Setting up the OJT Program

In order to set up an OJT program for your company, you first need to contact the local agency responsible for administering on-the-job training programs. Usually, the private industry council (PIC) in your area can identify the OJT agency. You can find your local PIC by calling your Chamber of Commerce or your National Alliance of Business regional service office. When you have contacted the right agency, you then work together to develop the OJT agreement or contract.

Recruiting and Screening Candidates

One of the first things you will establish with the OJT agency is the mechanism for recruiting and screening potential employees. An advantage to the program is that you can utilize the OJT agency as an extension of your "personnel office" to identify a qualified pool of JTPA-eligible candidates. There are several items to consider in this process:

Develop a complete job description for the OJT position. If you use OJT for a vacant existing position, it is likely that you already have a job description for the OJT slot. Review it to make sure it is accurate and up to date. This job description will serve as a basis not only for recruiting and screening candidates, but for developing the training plan as well. OJT may also be used for filling newly created positions.

Determine the minimum skills and qualifications necessary for a trainee entering your program. Provide a profile that the OJT agency can use in recruiting and screening applicants. Use your job des-

cription as the basis for defining trainee requirements. Meet with the OJT agency so that you can be sure that they know what you are looking for in a potential employee. The clearer an idea the screeners have, the more likely they will be able to refer appropriate candidates.

Decide how many candidates for each OJT position you want referred to you for final selection. The OJT agency only screens and refers. The OJT trainees are hired by you. You alone get to make the final decision on who will fill the slots.

Establish the time frame within which you want the OJT slots filled. OJT can be used for existing vacancies, or for new ones. For example, you may want to develop a specific program for a small group of trainees which combines classroom training with an on-site "practicum." In either case, if you want candidates within a specific time frame, be sure to specify that with the screeners.

Developing a Training Plan

The most critical element of the OJT contract is the training plan. Usually, you will develop this along with the OJT agency. The training outline usually contains the following information:

1. The basic skills required to perform the job;

2. The main functions and/or tasks involved in the job;

3. The equipment and tools that the trainee needs to be able to use on the job;

4. The skill areas, functions, basic tasks and equipment proficiencies arranged in the order they need to be mastered to learn and perform the job;

5. Practicum time should be included where it is necessary in order to ensure that the trainee is well-trained and able to do the work satisfactorily. (See Appendix B for directions and sample worksheets which you can use to develop a draft training plan for your OJT slots.)

"Classroom Training" — An Option

Depending upon your needs, you may want to combine your on-the-job training with on-site classroom training. If so, be sure to explore this possibility with the OJT agency. It may be possible the use OJT or other JTPA funds to provide this service. Many companies have developed successful classroom training programs to precede the OJT or to supplement it. (For example, you can provide a few hours a day or a week of classroom training, with the remaining hours to be spent on the job.)

Completing the OJT Contract

OJT contracts vary from agency to agency. Usually, you will need to complete a simple form such as the one presented in Appendix B. The agency you are working with will help you fill out their particular contract.

An OJT contract usually includes the following:

- The occupation(s) for which training is being done;
- The number of trainees;
- Company staff in charge of training;
- Authorized company representative - the name of person who will be responsible for signing the contract, the monthly invoices and any other related documents;
- The Dictionary of Occupational Titles (DOT) number - the OJT agency will help provide this information;
- Wage rates for trainees;
- The job description(s) of the position(s) for which training is being done;
- Minimum job requirements to aid the OJT agency in recruitment and selection; and
- A training outline indicating basic training areas and the projected hours for their completion.

In addition, the contract also includes any additional classroom or supportive services which are to be reimbursed, as well as those services which the OJT agency is to provide.

Finally, the contract will list general and technical provisions such as:

- method of reimbursement
- recordkeeping and reporting procedures
- a termination clause for non-compliance
- an assurance of compliance with JTPA regulations.

To maximize business participation, OJT contracting has been structured to be an easy process. To learn how your company can participate in that process and to take full

advantage of the potential presented by OJT, you should contact your local private industry council.

SECTION IV OTHER JTPA INCENTIVES AND BENEFITS

In addition to OJT contracts, JTPA offers several other potential incentives and benefits related to employing the economically disadvantaged. These take two forms:

- specific programs tailored and directed to the needs of your business or industry; and
- general services provided to potential employees which contribute to your company's ability to hire and retain a qualified, productive, and work-ready employee.

The major types of programs and services which might be provided in your community are described in the remainder of this section. However, since the local JTPA plan determines which activities are sponsored and the exact method of administration, you should contact your local private industry council to secure information on which options are available to your company.

Tailored Programs

Tailored training programs supported with JTPA funds are usually of four types:

- Customized Training - a program specifically designed to prepare employees to meet the requirements for a job or group of jobs within your company. To participate in this type of program, a company must agree to hire those individuals who satisfactorily complete the training to meet the employer's specifications. This training may be done on-site at your business by one of your

own staff or may be provided by a training vendor able to meet your requirements.

- Upgrading - Programs to train existing employees in your company for more advanced positions. An upgrading agreement is frequently coupled with a further agreement to hire an equal number of JTPA-eligible trained entry-level employees to fill the vacancies created through upgrading.

- On-Site Industry Specific Training - if your company is part of a local industry group (e.g., printing, electronics) which requires a pool of trained workers, it is possible to collaborate with other employers to establish a training program to meet the industry's needs. Such a program is normally designed by representatives from the participating companies and then operated by one employer, or by members of the group, at one or more of their facilities.

- Retraining - if your company is confronted with having to lay off valued workers due to skill obsolescence, a retraining program can be designed to assist them in obtaining the skills required in other jobs. These jobs could be in your organization, demand occupations in the local labor market area, or in another area to which employees are willing to relocate.

- Dislocated Worker Programs - related to retraining, JTPA also provides special funding for assisting workers who are unemployed or facing a lay-off due to plant closures. These programs, run by the state, focus on workers who have little chance of returning to their industry or occupation. Dislocated workers served by these programs do not have to meet financial eligibility criteria. The services they may receive include job search assistance, skill training or retraining, and supportive services such as counseling.

General Services

The local service delivery area has organizations which may provide three primary services which help to ensure that JTPA-eligible individuals will integrate successfully into your company's workforce:

- Screening: Local agencies can help to recruit and begin the process for developing the competence of those individuals who will be available to work in your company by arranging for screening-related activities such as:

  - **outreach** - recruitment of applicants from the economically disadvantaged population;

  - **eligibility determination** - certifying that applicants meet the criteria for enrollment in JTPA programs;

  - **assessment** - determination of the participants' vocational capabilities, interests and needs;

- **counseling** - individual guidance and assistance to help participants develop a personal plan and program to enhance their employability.

- Pre-employment Training: After the initial enrollment and processing of participants, a second invaluable service which may be available is some form of pre-employment training. This focuses on the skills needed for participants to retain employment. Such training usually includes an introduction to the world of work, instructions on completing resumes and applications, and building awareness of the behavior required in the workplace. In addition, where necessary, the local agency frequently furnishes bilingual education for non-English or limited-English-speaking participants and remedial education or basic skills training. Often called "prevocational training", this helps to improve the participants' reading, writing and computational skills.

- Classroom Skills Training: The service delivery area probably also sponsors a variety of occupation-specific (e.g., clerk-typist, word processor) training programs through public (i.e., community colleges) or private (i.e., trade schools) training vendors to help individuals develop the skills necessary to hold jobs which may be available in your company.

In conclusion, programs and services under the Job Training Partnership Act obviously

benefit the participants. At the same time, they also afford substantial benefits to your business.

CONCLUSION

This Handbook has provided information about a variety of ways that your business can increase its profits and productivity through the use of targeted tax and job training incentives.

The unifying principles behind all of these techniques are:

- o Reciprocity - when you give something you get something in return (e.g., a tax credit to increase hiring, or, an OJT subsidy to increase training of the economically disadvantaged).

- o Partnership - working in cooperation, the public and private sectors can improve the condition of the unemployed or underemployed.

These principles need to be put to the test. Your company can be part of the test. If the results are as positive as expected, the benefits of participation will accrue not only to you, but to those less fortunate, and ultimately to society at large.

APPENDIX A: TARGETED JOBS TAX CREDIT REFERENCE MATERIALS

- Sample Applicant Eligibility Questionnaire
- Sample Eligibility Voucher
- Sample Certification (ETA # 8470)
- Cooperative Education Student Certification (IRS # 6199)
- Internal Revenue Service Jobs Credit Form 5884
- Internal Revenue Service Publication 906 - Jobs and Research Credit

APPLICANT ELIGIBILITY QUESTIONNAIRE
TARGETED JOBS TAX CREDIT

SAMPLE

NAME_____

ADDRESS_____

TELEPHONE NUMBER_____

We receive a tax credit for hiring certain individuals. In order to determine whether or not you help us qualify for the credit, the questions below need to be answered. However, completion of this questionnaire by you is strictly voluntary and will have no bearing on any employment decision. Information provided will be kept confidential and will be utilized solely to determine tax credit eligibility.

1. At the time of hiring (or intended hiring) are (will) you be under 25 years of age? Yes_____ No_____. If yes, will you be 16 but not yet 18 years of age? Yes_____ No_____.

2. If you have been in the military, what were the dates of entry and exit from the armed service? Entry_____ Exit_____.

3. What was the total income of all family members living at home during the last six months prior to hiring? $_____. Number in family (include self)_____.

4. Have you been on welfare (general assistance) 90 days prior to entering the job? Yes_____ No_____.

5. Have you ever been a recipient of Supplemental Security Income (SSI)? Yes_____ No_____.

6. Are you now receiving or have you completed a Vocational Rehabilitation program with VA (Veterans Administration) or Division of Vocational Rehabilitation? Yes_____ No_____. When and Where?_____.

7. Are you now participating in a high school Cooperative Education Program? Yes_____ No_____.

8. Have you ever been convicted of a felony or released from prison within the past five years? Yes_____ No_____.

9. Are you an Aid to Families with Dependent Children (AFDC) recipient? Yes_____ No_____.

10. Are you a Work Incentive Program (WIN) registrant? Yes_____ No_____.

11. In what county and state do you live?_____.

I hereby authorize _____ to use the information above to determine my eligibility for the Targeted Jobs Tax Credit.

_____
(Applicant Approval) (Date)

job matching

COMMONWEALTH OF MASSACHUSETTS DIVISION OF EMPLOYMENT SECURITY

VOUCHER
TARGETED JOBS TAX CREDIT

1. INITIATING AGENCY CODE	2. CONTROL NO.	3. TYPE OF VOUCHER (" X " One) a. ☐ Original b. ☐ Revalidation	4. DATE COMPLETED (Mo., Day, Yr.)
(State Employment Security Agency's Name and Address) SAMPLE		(Participating Agency's Name and Address)	
		SIGNATURE (Authorized Official)	PHONE NO.

PART I. INTRODUCTION

5. NAME OF INDIVIDUAL (Last, First, Middle)	6. SOCIAL SECURITY ACCT. NO.
7. ADDRESS (Number, Street, City, State, ZIP Code)	8. SIGNATURE

TO THE EMPLOYER:

The above-named individual may be eligible for certification under the TARGETED JOBS TAX CREDIT (TJTC) program, as authorized under the IRS Code 44B. If the person is not employed before (Mo., Day, Yr.) this eligibility is subject to review.

Date ➤

In the event you hire this person, you should request the certification necessary for you to claim a TARGETED JOBS TAX CREDIT. Simply complete the Employer Declaration below, mail to the STATE EMPLOYMENT SECURITY AGENCY (see address above) and the Employer TJTC Certification Form will be returned to you.

PART II. EMPLOYER DECLARATION

I HEREBY DECLARE that the above-named person was or will be employed by:

9. NAME OF FIRM	10. EMPLOYMENT STARTING DATE (Mo., Day, Yr.)	11. STARTING WAGE $ per hour
	12. JOB TITLE OR OCCUPATION	

PLEASE SEND A TJTC CERTIFICATION FOR THIS EMPLOYEE.

13. AUTHORIZED EMPLOYER REPRESENTATIVE a. Name	b. Title Signature ➤	
c. Address (No., St., City, State, ZIP Code)	d. Date (Mo., Day, Yr.)	e. Phone No. (Include Area Code) ( )
	f. IRS Identification No. (As shown on your tax return) ➤	

14. COMMENTS

IMPORTANT----TO QUALIFY FOR THE TAX CREDIT, THIS FORM MUST BE COMPLETED AND RETURNED TO THE STATE EMPLOYMENT SECURITY OFFICE ADDRESS SHOWN IN THE BLOCK IN THE UPPER LEFT HAND CORNER, ON OR BEFORE THE DATE ON WHICH THE APPLICANT STARTS WORK.

NOTE: Falsification of data on this form is a Federal crime in violation of 18 USC 1001. Falsification of work or concealment of information is punishable by a fine of not more than $10,000 or imprisonment of not more than 5 years.

U.S. DEPARTMENT OF LABOR
Employment and Training Administration

OMB Approval No. 44-R1562

EMPLOYER CERTIFICATION

TARGETED JOBS TAX CREDIT

1. NAME AND ADDRESS OF CERTIFYING AGENCY	2. CONTROL NO.	3. DATE COMPLETED
	4. PHONE NO.	5. INITIATING AGENCY CODE

PART A. EMPLOYER

6. NAME AND ADDRESS OF FIRM	7. PHONE NO.	8. IRS IDENTIFICATION NO.
	9. REPRESENTATIVE'S NAME AND TITLE	

PART B. EMPLOYEE

10. NAME AND ADDRESS OF EMPLOYEE	11. SOCIAL SECURITY NO.	12. STARTING DATE OF EMPLOYMENT (Mo., Day, Yr.)
	13. TARGETED GROUP	

PART C. CERTIFICATION

I HEREBY CERTIFY that the individual named in Part B meets the eligibility criteria of Section 51 of the Internal Revenue Code.

14. NAME OF CERTIFYING OFFICER (Print)	15. SIGNATURE (Certifying Officer)	DATE

Facsimile

PART D. SIGNATURES

16. Employer

I HEREBY CERTIFY that the above information is correct and true to the best of my knowledge. This form is for the purpose of obtaining the benefits of the ***TARGETED JOBS TAX CREDIT under Section 44B of the Internal Revenue Code.*** *I UNDERSTAND that such credit will cease immediately upon notification of any subsequent invalidation of this certification.*

SIGNATURE OF EMPLOYER	DATE SIGNED

17. Employee

I HEREBY CERTIFY that the above information is correct and true to the best of my knowledge.

SIGNATURE OF EMPLOYEE	DATE SIGNED

COMMENTS

ETA 8470 (Jan. 1979)

Form **6199**
(Rev. Jan. 1983)
Department of the Treasury
Internal Revenue Service

Certification of Youth Participating in a Qualified Cooperative Education Program

(For the Jobs Credit Under Section 44B)
(References are to the Internal Revenue Code)

OMB No. 1545-0244
Expires 12-31-84

Certification initiated by ☐ Employer ☐ Student ☐ School

Part I Qualified School Offering Cooperative Education Program

Name of school	Telephone number
Address (Number and street)	
City, State, and ZIP code	
School system	

SAMPLE

Part II Employer

Name of business	Employer identification number
Address (Number and street)	
City, State, and ZIP code	
Employer representative / Title / Telephone number	

Part III Student

Name	Date of birth (month, day, year)—Student must be at least age 16, but not yet age 20	Social security number
Address (Number and street)		
City, State, and ZIP code		
Student's first day on the job. (Must have been hired by you for the first time after September 26, 1978.)		Starting wage per hour
Dates of cooperative program of the student From (date) to		Number of hours per week

Part IV Certification by the School *(See Instruction B for Definitions)*

I certify that the student named in Part III is a "youth participating in a qualified cooperative education program"; the school named in Part I is a "qualified school"; and the cooperative education program of the school in which the student is enrolled is a "qualified cooperative education program." I also certify that the student has been determined to be a member of an economically disadvantaged family by an office of the State Employment Security Agency.

Name of certifying officer (type or print)	Title
	Date
Signature ▶	

Part V Signature of Employer *(See Instruction C)*

I certify that this information is correct and true to the best of my knowledge. This form is for obtaining the benefits of the Jobs Credit under section 44B. I understand that my credit for employing the student named in Part III will end if this certification becomes invalid.

	Date
Signature ▶	

For Paperwork Reduction Act Notice, see back of form. Form **6199** (Rev. 1-83)

[¶ 1470R]

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Form **5884**
Department of the Treasury
Internal Revenue Service

Jobs Credit

(and WIN credit carryover)
▶ Attach to your tax return.

OMB No. 1545-0219
1982
78

Name(s) as shown on return: Susan Green

Identifying number: 000-00-0000

Part I Jobs Credit

1 Enter the number of employees and total qualified wages paid or incurred during the tax year (up to $6,000 for each employee for each of the first two years) for services of employees who are certified as members of a targeted group (see instructions for line 1):

		Number of employees	Total qualified wages
First year	(a)		10,000
Second year	(c)		

2 Enter 50% of line 1(b) (FY 1982—33 ... for your employees, see instr.) 2 5,000

3 Enter 25% of line 1(d) 3

4 Current year jobs credit—Add lines 2 ... here and include on Schedule C (Form 1040), line 28b; Form 1120, line 13(b), page 1 ... corresponding line on other returns. (Members of a group of trades or businesses under common control, see Specific Instructions) 4 5,000

5 Flow-through jobs credits from other entities

If you are a—	Then enter total of current year jobs credit(s) from—
a Shareholder	Schedule K-1 (Form 1120S), Part V
b Partner	Schedule K-1 (Form 1065), line 14
c Beneficiary	Schedule K-1 (Form 1041), line 13
d Patron	(see instructions for line 5d)

5

6 Total jobs credit for current year—Add lines 4 and 5 (Electing small business corporations, partnerships, estates, and trusts, see instructions for line 6.) 6 5,000

7 a Individuals—From Form 1040, enter tax from line 38 plus any additional tax from Form 4970 . .
b Estates and trusts—From Form 1041, enter tax from line 28a, plus any section 644 tax on trusts .
c Corporations (1120 filers)—From Form 1120, Schedule J, enter tax from line 3 . . . . 7 4,505
d Other organizations—Enter income tax before credits from return . . . .

8 a Individuals—From Form 1040, enter credits from lines 41 through 44 . . . . .
b Estates and trusts—From Form 1041, enter credits from lines 27a and 27b . .
c Corporations (1120 filers)—From Form 1120, Schedule J, enter credits from lines 4(a), 4(b), and 4(f) 8
d Other organizations—Enter total of any foreign tax, possessions, and investment credits . . . .

9 Income tax liability as adjusted (subtract line 8 from line 7) 9 4,505

Part II Allowed WIN Credit Carryover

10 WIN credit carryover from prior year (plus any WIN credit from a fiscal year 1981–82 entity (see instructions)) . . . . 10 .

11 Allowed WIN credit for 1982—lesser of line 9 or 10 11

Part III Allowed Jobs Credit

12 Line 9 less any WIN credit taken on line 11 . . . . 12 4,505

13 Child care credit—Form 1040, line 45 (individuals only) 13

14 Income tax liability as adjusted—Subtract line 13 from line 12 . . . . 14 4,505

15 Jobs credit limitation—Multiply line 14 by 90% (line 14 × .90) 15 4,054.50

16 Allowed jobs credit for 1982 tax year—Enter smaller of line 6 or line 15. If line 6 does not contain an entry, enter zero. (Section 1381(a) cooperatives: see line 6 instructions) 16 4,054.50

If you have an unused jobs credit from other years, complete lines 17–19. Otherwise, skip to line 20

17 Tax liability limit for unused jobs credits from other years—Subtract line 16 from line 15 17

18 Carryback and carryover of unused jobs credits from other years 18

19 Allowed unused jobs credits from other years—Enter smaller of line 17 or 18 19

20 Allowed jobs and WIN credits from all sources—Add lines 11, 16, and 19. Enter here and on Form 1040, line 46; Schedule J (Form 1120), line 4(c), page 3; or the appropriate line on other returns . . 20 4,054.50

SAMPLE

Instructions

(References are to the Internal Revenue Code.)

Tax Highlights

Separate WIN Credit Terminated; Jobs Credit Allowed for Eligible WIN Employees.—The Economic Recovery Tax Act of 1981 terminated the separate section 40 WIN credit for wages paid in tax years beginning after December 31, 1981. However, for tax years beginning in 1982 and later there is a new targeted group for certified WIN employees.

Note.—Certain 1982 taxpayers may still claim a section 40 WIN credit. See line 10 instructions on page 2.

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose

Use the 1982 Form 5884 if you had jobs credit employees and take an income tax credit for wages you paid or accrued for them during the tax year.

Mutual savings institutions, regulated investment companies, and real estate investment trusts can take a limited jobs credit. See section 52(f) and the related regulations.

You can take or revoke the jobs credit any time within 3 years from the date your return was due for the year. You can take the credit either on your original return or on an amended return. To revoke your jobs credit after you take it, file an amended return.

For more information, see **Publication 906, Jobs and Research Credits.**

How to Figure the Credit.—In general, you should figure your jobs credit based on the employee's wages subject to FUTA tax. Special rules apply in the following cases:

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Department of the Treasury
Internal Revenue Service

Publication 906
(Rev. Nov. 82)

Jobs and Research Credits

For use in preparing
1982 Returns

You can get the tax forms and publications mentioned in this publication by following the directions in the back of this pamphlet.

Introduction

You, as an employer, can choose to take a targeted jobs tax credit. The targeted jobs tax credit is for qualified wages you incur or pay to members of targeted groups who start working for you before 1986.

The new jobs credit, which was replaced by the targeted jobs credit, expired at the end of 1978. Any new jobs credit that could not be claimed in earlier years can be carried over for the 15 tax years after the year you earned it or until it is used up, whichever comes first.

The work incentive (WIN) credit has expired for tax years beginning after 1981. However, eligible work incentive employees are now one of the targeted groups of employees on whose qualified wages you may take the targeted jobs credit. If you have any unused WIN credit that you could not claim in earlier years, you can carry it over for the 15 tax years after the year you earned it or until it is used up, whichever comes first.

The research credit is for certain amounts you spend, including amounts for wages, for research and experimental purposes after June 30, 1981. The credit only applies to the amount of these expenditures you have in a tax year that is more than the average annual amount you spent for these purposes in a certain base period.

It is possible that the same employee's wages may qualify for both the targeted jobs credit and the research credit. You cannot use an employee's wages to figure more than one credit. Figure both credits by taking into account the wages qualifying for each credit. Then claim the credit that saves you more tax.

Targeted Jobs Credit

The targeted jobs credit is designed to provide an incentive to employers to hire certain persons from targeted groups that have a particularly high unemployment rate or other special employment needs.

Targeted Groups

A person is a member of a targeted group if the person meets the requirements of any of the groups listed in the next paragraph. To take the credit, you, as an employer, must have first hired the employee after September 26, 1978.

Members of targeted groups are persons who are:

1) Vocational rehabilitation referrals;
2) Economically disadvantaged youths;
3) Economically disadvantaged Vietnam-era veterans;
4) Supplemental Security Income (SSI) recipients;
5) General assistance recipients;
6) Youths participating in a cooperative education program;
7) Economically disadvantaged ex-convicts;
8) Involuntarily terminated Comprehensive Employment and Training Act (CETA) employees who start work for you after August 13, 1981 and before January 1, 1983;
9) Eligible work incentive employees; or
10) Economically disadvantaged summer youth employees.

Eligible work incentive employees did not become members of a targeted group until tax years starting after December 31, 1981. For tax years starting after that date, work incentive employees who are already working for you are treated as if they had been members of a targeted group when they started work for you. The WIN credit is no longer available.

Certification. For you to claim the targeted jobs credit on the wages paid to an employee, that employee must be certified as a member of a targeted group by the designated local agency. Designated agencies are generally local offices of the state employment security agency (jobs service). In the case of a student participating in a qualified cooperative education program, the student is certified by the school administering the program.

If an employee started work for you before May 12, 1982, you must have received the certification or requested it in writing before the date the employee started work for you for the employee's wages to be eligible for the credit. For employees who start work on or after May 12, 1982, you may request or receive the certification as late as the employee's first workday. If a member of a targeted group (other than a cooperative education student) started work for you before June 29, 1981, but you did not request or receive the certification before July 23, 1981, then you cannot take a credit on the employee's wages. For employees who began work after June 28, but before September 27, 1981, or a cooperative education student who began work anytime before September 27, 1981, you must have requested or received the certification before September 26, 1981.

If a certification is incorrect because of false information provided by the employee, it will be revoked. Wages you pay the employee after you receive notice of revocation will not qualify for the credit. For more information on certification procedures for eligible employees, contact your local office of the state employment security agency (jobs service).

A vocational rehabilitation referral is any certified employee who:

1) Has a physical or mental disability that either is a substantial handicap or that results in a substantial handicap to employment; and
2) Is referred to you upon completing or while receiving rehabilitative services under:
   a) An individualized written rehabilitation plan under a state plan for vocational rehabilitation services approved under the Rehabilitation Act of 1973; or
   b) A program of vocational rehabilitation carried out under Chapter 31 of title 38, United States Code.

An economically disadvantaged youth is any certified employee who is:

1) At least 18 years old but under 25 on the hiring date; and
2) A member of an economically disadvantaged family (defined below).

Economically disadvantaged family. A person is a member of an economically disadvantaged family if the certifying agency determines that the family's income was at a certain level during the 6 months before the month the determination is made. The family's income level during that period must have been less than or equal to 70% of the Bureau of Labor Statistics lower living standard, figured on an annual basis.

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An economically disadvantaged Vietnam-era veteran is any certified employee who:

1) Served on active duty in the United States Armed Forces for more than 180 days and at least one of those days occurred from August 5, 1964, through May 7, 1975 (Active duty does not include active duty for training.), or

   Was discharged or released from active duty because of a service-connected disability if some part of that duty occurred from August 5, 1964, through May 7, 1975;

2) Was not on a more than 90-day period of active duty (other than active duty for training) for any day in the 60-day period that ends on the day you hire the employee;

3) Is a member of an economically disadvantaged family (defined earlier); and

4) Is under 35 years old on the hiring date. Veterans who started work for you after August 13, 1981, do not have to meet this age test.

An SSI recipient is any certified employee who received supplemental security income benefits for any month ending in the 60-day period that ends on the day you hire the employee.

A general assistance recipient is any certified employee who received assistance under a qualified general assistance program for a period of at least 30 days ending in the 60-day period that ends on the day you hire the employee. A qualified general assistance program is any program of a state or political subdivision of a state that:

1) Provides general assistance or similar assistance that is based on need and that is given in money; and

2) That the Secretary of the Treasury names as meeting the requirements of item (1).

Employees who start work for you after July 1, 1982, can qualify for this group even if they receive the assistance in the form of vouchers or scrip.

An economically disadvantaged ex-convict is any certified employee who:

1) Was convicted of a felony under any federal or state statute;

2) Is a member of an economically disadvantaged family (defined earlier); and

3) Was hired within 5 years after being convicted or released from prison, whichever is later.

A youth participating in a qualified cooperative education program is any person who a qualified school certifies in writing:

1) Is at least 16 years old but under 20;

2) Did not graduate from a high school or a vocational school;

3) Is enrolled in and actively studying in a qualified cooperative education program; and

4) Is a member of an economically disadvantaged family (defined earlier).

Your employees' wages qualify for the credit under this targeted group only while these requirements are being met.

The school may satisfy the certification requirement by completing Form 6199, *Certification of Youth Participating in a Qualified Cooperative Education Program*. The school should prepare Form 6199 in duplicate, give the original to the employer, and keep one copy for its own records. The employer must sign Part V of the form certifying that the information is correct before claiming the credit.

You must receive this certification or request it in writing before the student starts working for you, or if the student started work by September 26, 1981, the certification must have been requested or received by that date. For students who start work for you after May 11, 1982, you need not request or receive the certification until the students' first workday.

A qualified cooperative education program is a vocational education program for people who receive instruction, including required academic instruction, by combining school study with a job in any occupational field. The school and employer together must plan the two experiences so that each contributes to the student's education and ability to be hired. The program must be directly related to preparing a person for employment, or for additional preparation for a career that does not require a baccalaureate or advanced degree. The program must provide instruction related to the occupations for which the students are in training. The education program must be organized through written cooperative arrangements between one or more employers and a qualified school.

A qualified school is a specialized high school, high school department, or technical or vocational school used exclusively or principally to provide vocational education to students who are preparing to enter the job market. A technical or vocational school must provide this education to students who have either left or completed high school. A school that is not a public school is treated as a qualified school only if it is exempt from federal income tax.

An eligible work incentive employee is a certified individual who:

1) Is eligible for dependent children payments under the Social Security Act and has continually received this financial assistance during the 90 days just before being hired, or

2) Has been placed in employment under a WIN program that was set up under the Social Security Act.

An involuntarily terminated CETA employee is one certified as having been laid off after December 31, 1980, from employment that was funded at least in part under the Comprehensive Employment and Training Act. These employees must start work for you before January 1, 1983.

An economically disadvantaged summer youth employee is a certified employee who:

1) Starts work for you after April 30, 1983;

2) Works for you between May 1 and September 15;

3) Is 16 or 17 years old when hired;

4) Has not previously worked for you; and

5) Is certified as a member of an economically disadvantaged family, explained earlier.

The allowable credit for these employees is limited to 85% of the first $3,000 of wages paid to each for work done in any 90-day period between May 1 and September 15 of the same calendar year. This rate (85%) is higher than the rate that applies to wages you pay members of other targeted groups, but the amount of wages that qualify ($3,000) is less than for the other groups. See *Qualified Wages* and *Amount of Credit*, later.

If these employees continue working for you after you have used up their eligibility for the credit as members of this group, you may claim the credit on wages you continue to pay them as members of other targeted groups if they are recertified as members of other targeted groups. However, their total period of eligibility for the credit, including the time they are treated as summer youth employees, cannot exceed 2 years.

Related individuals. Wages you pay to an employee who starts work for you after August 13, 1981, do not qualify for the credit if any of the following conditions exist:

1) The employee is any of the following:
   a) Your son or daughter or a descendant of your son or daughter.
   b) Your stepson or stepdaughter.
   c) Your brother, sister, stepbrother, or stepsister.
   d) Your father or mother, or an ancestor of either.
   e) Your stepfather or stepmother.
   f) A son or daughter of your brother or sister.
   g) A brother or sister of your father or mother.
   h) Your son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law.

2) The employee is a dependent who lives in your home and is a member of your household.

These rules apply to you if you are:

1) An individual who is the employer;

2) A shareholder who owns more than 50% of the value of the outstanding stock of the employing corporation;

3) A beneficiary, grantor, or fiduciary of the employing estate or trust;

4) A member of the employing partnership; or

5) A shareholder in a Subchapter S corporation that is the employer.

In addition, an employee of an estate or trust is not eligible for the credit if he or she is a grantor, beneficiary, or fiduciary of the estate or trust.

Rehired employees. You may not take the credit on wages you pay to an employee who you rehire if the individual was not a member of a targeted group throughout the earlier period of employment. This rule applies even if the employee is a member of a targeted group when rehired by you. You may be able to claim the credit for employees you rehire if you did not claim the full credit on their wages and the employees' eligibility period has not expired.

Qualified Wages

Qualified wages are those that you *incur* or pay to members of a targeted group who start work for you by December 31, 1982. The targeted jobs credit is figured only on qualified first-year wages and qualified second-year wages (discussed later).

Wages generally means all amounts that are paid for employment, including the value of

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noncash items. However, it does not include the value of meals and lodging you furnish your employees for your convenience if the value is excludable from the employees' incomes. To figure the credit, use the same wages that are subject to federal unemployment tax (FUTA), but without the FUTA dollar limitations. A different definition of wages applies to certain agricultural and railroad employees and to youths participating in cooperative education programs.

Agricultural employees. If in any year an employee performs services that qualify during more than half of any pay period as agricultural labor for FUTA purposes, to figure the credit for that employee, use the same wages that are subject to social security tax (FICA), but without the FICA dollar limitations.

Railroad employees. If more than half of the wages you pay to an employee during any year qualify under the Railroad Unemployment Insurance Act (RUIA), figure the credit for that employee using the wages that are subject to RUIA tax, but without the RUIA dollar limitations.

In figuring if more than half of an employee's services or wages qualify as agricultural labor or railroad wages, treat businesses under common control as separate businesses. Normally, trades or businesses under common control are treated as one business when figuring the amount of the credit. For this rule, see *Trades or Businesses under Common Control*, later.

Employees who are youths participating in cooperative education programs. Although the wages paid these employees are not subject to FUTA, for the purpose of the targeted jobs credit the wages are considered to be subject to FUTA and are qualified wages. For this purpose, the FUTA dollar limitation does not apply.

Qualified first-year wages are the qualified wages your employee earns during the first one-year period of working for you. The first year begins on the day your employee starts work. For a vocational rehabilitation referral employee, the rule is the same except that the first year does not start unless the employee's rehabilitation plan is also in effect when the employee begins working for you.

Qualified first-year wages are subject to a $6,000 limitation. This limitation is discussed later.

Qualified second-year wages are the qualified wages your employee earns during the second one-year period of working for you. The second year begins the day after the first year ends. The second-year wages are also subject to a $6,000 limitation.

Example. On February 1, 1981, you hire Frank Baily who is a general assistance recipient and whose wages qualify for the targeted jobs credit. Frank starts work on February 1, 1981. His first one-year period of working for you ends on January 31, 1982. All wages you pay Frank for services performed through that date are qualified first-year wages (subject to the $6,000 limitation discussed later). Wages you pay him for services from February 1, 1982, through January 31, 1983, are qualified second-year wages (subject to $6,000 the limitation discussed later).

$6,000 limitation. Only the first $6,000 of each employee's qualified first-year wages and the first $6,000 of each employee's qualified second-year wages are eligible for the credit.

Example. You figure your tax on a calendar year. On October 1, 1980, you hire Bill Roberts who is a member of a targeted group. During the last 3 months of 1980 you pay Bill $2,500. His qualified first-year wages in 1980 for figuring the credit are $2,500.

Bill's first year of working for you ends on September 30, 1981. Because only the first $6,000 of wages are eligible for the credit, only $3,500 more of wages you pay him through September 30, 1981, are qualified first-year wages eligible for the credit. Any wages you pay him for services from October 1, 1981, through December 31, 1981, however, are qualified second-year wages and up to $6,000 would be eligible for the credit. Also, any wages you pay him for services from January 1, 1982, through September 30, 1982, are qualified second-year wages and up to $6,000 minus the qualified second-year wages paid for the period October 1, 1981, through December 31, 1981, would be eligible for the credit.

Wages must be for trade or business employment. To claim the credit on an employee's wages, over half of those wages paid during any tax year must be earned by the employee in your trade or business. Therefore, maids, chauffeurs, and other employees who work only in your home would not qualify for the credit. In figuring whether or not over half of the wages are earned in your trade or business, do not treat businesses under common control as one business.

Payments for on-the-job training. If for any period you received federally funded payments for on-the-job training of an employee, the wages you pay to that employee for the period do not qualify.

Example. On June 1, 1982, an individual who is certified as a member of a targeted group starts work for you. For the period June 1 through August 31, 1982, the employee received on-the-job training, and you received federally funded payments for the on-the-job training of that employee for that period. In computing the targeted jobs credit, you cannot use as qualified first-year wages any wages earned by that employee for services between June 1 and August 31, 1982. However, wages paid for services for the period September 1, 1982, through May 31, 1983, are qualified first-year wages. Wages paid to your employee for the period June 1, 1983, through May 31, 1984, are qualified second-year wages.

Amount of Credit

The amount of credit allowable for the tax year is the sum of:

1) 50% of the qualified first-year wages for that year; plus
2) 25% of the qualified second-year wages for that year.

However, the rate is 85% for summer youth employees, and the credit applies only to the first $3,000 of wages you pay to each summer youth employee, as discussed earlier.

Example 1. You are a calendar year taxpayer. On April 1, 1981, you hire Dave Brown who is a member of a targeted group. In 1981 you pay him $4,000 in wages. Your targeted jobs credit for 1981 is $2,000; that is, 50% of $4,000.

Example 2. Assume the same facts as in Example 1. For services from January 1, 1982, through March 31, 1982, you pay Dave $3,000 in wages. These are qualified first-year wages because March 31 is the end of Dave's first year of working for you. You pay him $7,000 for services through the remainder of the year. These are qualified second-year wages. Figure your jobs credit for 1982 as follows:

Qualified first-year wages that are eligible	$2,000	
Multiplied by 50%	.50	$1,000
plus		
Qualified second-year wages that are eligible	$6,000	
Multiplied by 25%	.25	$1,500
Total targeted jobs credit		$2,500

Note that the amount of qualified first-year wages in 1982 eligible for the 50% credit are limited to $2,000; that is, $6,000 less $4,000 paid in 1981. Similarly, qualified second-year wages eligible for the 25% credit are limited to $6,000.

Tax liability limitation. The credit cannot be more than 90% of your tax liability. Do not include any of the following in your tax liability:

1) Minimum tax for tax preferences.
2) 10% tax on premature distributions to owner-employees.
3) Additional tax on income from certain retirement accounts.
4) Tax on lump-sum distributions.
5) Accumulated earnings tax.
6) Personal holding company tax.
7) Tax on certain capital gains of Subchapter S corporations.
8) Any additional tax imposed as a result of recoveries of foreign expropriation losses.

Reduce your tax liability by the following credits:

1) Foreign tax credit.
2) Credit for the elderly.
3) Investment credit.
4) WIN credit.
5) Contributions to candidates for public office credit.
6) Child and disabled dependent care credit.

If the credit is more than 90% of your tax liability, the unused credit may be carried back 3 years and carried over 15 years as explained in the next section.

Carryback and carryover of unused credits. If you cannot take the full amount of the jobs credit because of the tax liability limitation, you may claim a refund of all or part of the taxes you paid in your last 3 tax years. You do this by carrying back the unused credit in the following order: first to the earliest of the last three tax years, then to the second earliest, and so on. Any credit that cannot be taken in those years may be taken on your future tax returns for 15 years or until the credit is used up, whichever comes first.

Limitation on unused credit in a carryback or carryover year. The amount of unused jobs credit that you can take in a carryback or carryover year cannot be more than the tax liability limitation for that year minus any jobs credit earned in the carryback or carryover year. If you carry unused credits from more than one year to the same carryback or carryover year, use the credit from the earliest year first.

File a claim for refund of an earlier year's tax on an amended return. Use Form 1040X.

47 BEST COPY AVAILABLE

Amended U.S. Individual Income Tax Return, or Form 1120X, *Amended U.S. Corporation Income Tax Return*, if your original return for the earlier year was a Form 1040 or 1120. File the amended return within 3 years after your tax return is required by law to be filed (including extensions). This is the tax return for the year of the jobs credit causing the carryback. For example, if you are a calendar year individual, an amended return for taxes overpaid in 1979 caused by a jobs credit carryback from 1982 must be filed by April 15, 1986.

The time for filing the amended return is different if your jobs credit carryback is caused by a net operating loss, investment credit, or capital loss that is carried back from a later year to your jobs credit year. If this happens, the amended return is filed within 3 years after the later tax return is required by law to be filed (including extensions). This is the tax return for the year in which the net operating loss, investment credit, or capital loss occurred.

Quick refunds. You may apply for a quick refund of earlier year's taxes by filing Form 1045, *Application for Tentative Refund*, or Form 1139, *Corporation Application for Tentative Refund*. These forms allow you to apply for a tentative adjustment of your earlier year's tax affected by the jobs credit carryback. The forms must be filed within 12 months after the end of the tax year in which the jobs credit is earned.

For a jobs credit carryback that is caused by a net operating loss, an investment credit, or a capital loss that is carried back from a later tax year to the jobs credit year, the forms must be filed within 12 months after the end of that later tax year.

Reduced Deduction for Wages

Your tax deduction for the wages or salaries you pay or incur during the tax year is reduced by the amount of jobs credit allowed (except for two situations explained below). The deduction is reduced by the full amount of jobs credit for the year even if you cannot use the entire credit because of the tax liability limitation. This reduced wage or salary deduction must also be used to figure net earnings from self-employment. If you have a jobs credit carryback to another year, do not reduce salaries or wages in the carryback year by the amount of the carryback. The same is true for a jobs credit carryover.

Example. In 1982 you are entitled to a $20,000 credit. To determine your tax liability for that year, you reduce your wage or salary deduction by $20,000. You do this even if you could take only $18,000 of the credit because of the tax liability limitation. The $2,000 carryback or carryover does not reduce your salary and wage deduction in the carryback or carryover year.

In the two following situations you must attach a statement to your return to explain why the amount on line 4 of Form 5884, *Jobs Credit*, is not the same as the amount that you subtract from your wage and salary deduction.

The first situation occurs when part of the credit is for wages and salaries that must be capitalized as part of the cost of an asset and later depreciated (such as when you build the equipment you use in your trade or business). You must use that part of the credit to reduce the cost of the asset. You do not subtract it from wages and salaries.

The second situation occurs when part of the credit is for wages and salaries that you must include in the cost of your inventory under the full absorption method of inventory costing. You must use that part of the credit to reduce the basis of your inventory. You do not subtract it from wages and salaries.

If a trade or business is under common control, reduce each group member's wage or salary deduction by the amount of the credit that is apportioned to it. See the rules under *Trades or Businesses under Common Control*, later.

For entities, such as partnerships, that pass through the jobs credit to the partners, the wage and salary deduction of the partnership is reduced by the amount of the jobs credit earned by the partnership before any allocation of the credit is made to the partners. This same rule is applied to Subchapter S corporations, estates, trusts, certain regulated investment companies, real estate investment trusts, and cooperatives.

Trades or Businesses under Common Control

Generally, the jobs credit for a group of trades or businesses under common control is figured by the group as if it were a single business. One credit is computed for the entire group and then divided among the members based on their proportionate share of wages causing the credit. See *Figuring the credit*, later. Trades or businesses under common control can be corporations, sole proprietorships, partnerships, estates, or trusts.

A trade or business under common control is a member of any group of trades or businesses that is either a parent-subsidiary group under common control, a brother-sister group under common control, or a combined group under common control. For computing the jobs credit, an organization can be a member of only one group of trades or businesses under common control. If an organization is a member of more than one group, it must indicate on its timely filed return the group in which it wishes to be included. If this is not done, the Internal Revenue Service will determine the group. In the following definitions, organization means a sole proprietorship, a partnership, an estate, a trust, or a corporation.

A parent-subsidiary group under common control is one or more chains of organizations conducting trades or businesses that are connected through ownership of a controlling interest with a common parent organization if:

1) One or more of the organizations owns (directly and through options to acquire) a controlling interest in each of the organizations, except the common parent; and
2) The common parent organization owns (directly and through options to acquire) a controlling interest in at least one of the nonparent organizations. To figure the controlling interest, the parent excludes any direct ownership interest by the other organizations.

A controlling interest is:

1) For a corporation, ownership of stock possessing more than 50% of the total combined voting power of all classes of stock entitled to vote or more than 50% of the total value of the shares of all classes of stock of the corporation;
2) For a trust or estate, ownership of an actuarial interest of more than 50% of the trust or estate;
3) For a partnership, ownership of more than 50% of the profit interest or capital interest of the partnership; and
4) For a sole proprietorship, ownership of the sole proprietorship.

A brother-sister group under common control is two or more organizations conducting trades or businesses if:

1) The same five or fewer persons who are individuals, estates, or trusts own (directly and through options to acquire) a controlling interest of each organization; and
2) Those persons are in effective control of each organization taking into account the ownership of each person only to the extent that the person's ownership is identical with respect to each organization.

A controlling interest for the brother-sister group is the same as a controlling interest for a parent-subsidiary group except that 80% should be substituted wherever a 50% ownership requirement is indicated.

Effective control means the same as a controlling interest defined earlier under the parent-subsidiary groups.

A combined group under common control is a group of three or more organizations in which:

1) Each organization is a member of a parent-subsidiary group under common control or a brother-sister group under common control; and
2) At least one organization is the common parent organization of a parent-subsidiary group under common control and also a member of a brother-sister group under common control.

Figuring the credit. Figure the targeted jobs credit for businesses under common control by using the following steps:

1) Combine qualified first-year wages paid by all members of the group and do the same for qualified second-year wages;
2) Figure the jobs credit for the group by applying the 50% rate to the combined qualified first-year wages and the 25% rate to the combined qualified second-year wages;
3) Divide the group credit from step (2) among the members of the group based on their proportionate shares of wages giving rise to the credit.

The tax liability limitation, and the limitation on the unused credit applied in a carryback or carryover year are applied separately to each organization in the group. In applying these limitations, a group of corporations electing to file a consolidated tax return is treated as one organization.

Example. Red Company and its two subsidiaries, Blue Company and Green Company, are under common control. Each company is a calendar year taxpayer. Qualified first-year wages paid by the three companies in 1982 to members of targeted groups are shown in the following table. The $6,000 limitation on qualified first-year wages for each employee has already been applied.

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Company	Qualified first-year wages
Red	$20,000
Blue	5,000
Green	25,000
Total	$50,000

Qualified first-year wages eligible for the 50% credit	$50,000
Multiplied by 50% credit	.50
Targeted jobs credit to be divided among the members of the group	$25,000

The total credit, $25,000, is then divided among the members of the group in the following manner:

Red Company	$20,000 / $50,000	× $25,000 =	$10,000
Blue Company	$ 5,000 / $50,000	× $25,000 =	$ 2,500
Green Company	$25,000 / $50,000	× $25,000 =	$12,500

How To Take the Credit

You take the targeted jobs credit on your tax return only if you choose to. Any individual, estate, trust, or corporation that chooses the credit must attach Form 5884, *Jobs Credit*, to its income tax return. The same is true for a Subchapter S corporation, partnership, estate, or trust that divides the credit among its shareholders, partners, or beneficiaries.

Time for making or changing an election. You may choose the targeted jobs credit any time within a 3-year period that starts on the last day allowed by law (not including any extensions) for filing your tax return for the year in which the credit was earned. For example, if you are an individual and want to choose the credit for your 1982 calendar year, you must make the choice by April 15, 1986. The same 3-year period applies if you want to cancel a targeted jobs credit that you have already taken on your return.

Subchapter S corporations, partnerships, estates, and trusts share the targeted jobs credit among the partners, shareholders, or beneficiaries. In addition to filing Form 5884 with its income tax return, a Subchapter S corporation, partnership, estate, or trust must also complete Schedule K–1 of its tax return showing how the credit was divided among the shareholders, partners, or beneficiaries.

Tax-exempt organizations (other than exempt farmer's cooperatives) are not eligible for the targeted jobs credit.

Targeted Jobs Credit Example

Susan Green owns and operates a dress shop as an unincorporated business. On March 19, 1982, Susan hired two new employees who were members of a targeted group. Earlier in the week, Susan had received a certification form from the state employment security agency showing that they are both members of a targeted group.

From March 19 until December 31, Susan paid each of the new employees $5,000. For calendar year 1982, Susan completes Form 5884 to figure her targeted jobs credit.

Susan's qualified first-year wages are equal to $10,000 (limited to $6,000 per employee).

Susan's tax on Form 1040 for 1982 was $4,505. She had no other credits for 1982 or carryover credits from earlier years. Susan's credit for 1982 is (a) or (b), below, whichever is smaller:

a) 50% of qualified first-year wages ($10,000)	$6,000.00
b) 90% of tax liability ($4,505)	$4,054.50

Susan claims her credit of $4,054.50 on line 48, Form 1040. However, she reduces her deduction for salary and wages on her Schedule C by $5,000, the full amount of the credit. Susan has an unused credit of $945.50 which she can carry back for 3 years and carry forward for 15 years until she uses it up. See the filled-in Form 5884 at the end of this publication.

Carryover of Unused New Jobs Credits

The new jobs credit expired at the end of 1978 and was replaced by the targeted jobs credit. However, any new jobs credit that could not be claimed in earlier years, may be carried over for the 18 tax years after the year you earned it or until it is used up, whichever comes first.

Limitation on amount of unused credit. The amount of unused credit that you can take in a carryover year cannot be more than the limitation based on the amount of tax for that year, minus any targeted jobs credit earned in the carryover year. If you carry unused credits from more than one year to the same carryover year, use the credit from the earliest year first.

The limitation based on the amount of tax is 90% of your income tax liability for the carryover year figured in the same way as the *tax liability limitation* for the targeted jobs credit. See *Amount of Credit* under *Targeted Jobs Credit*.

Carryover of Unused WIN Credit

The WIN credit has expired. You cannot take the credit for tax years starting after December 31, 1981. However, eligible work incentive employees have been added as a group of employees whose wages qualify for the targeted jobs credit for tax years starting after 1981. Therefore, you may be able to claim a targeted jobs credit for your WIN employees in those years instead of a WIN credit. See *Targeted Jobs Credit*, earlier in this publication, for more information.

Although the WIN credit has expired, if you still have any WIN credit that you could not claim in earlier years, you may carry it over and claim it in a later tax year. You can carry it over for the 15 tax years after the tax year you earned it or until it is used up, whichever comes first.

If you have a WIN credit carryover to a tax year that starts after 1981, attach Form 5884, *Jobs Credit*, to you income tax return. Enter the carryover in Part II, line 10, of the form.

Limitation on amount of unused credit. The amount of unused WIN credit that you can take in a carryover year cannot be more than your income tax liability for that year. If you carry unused credits from more than one year to the same carryover year, use the credit from the earliest year first.

Tax liability. For the purpose of figuring how much unused WIN credit you can take in a carryover year, your tax liability is figured by reducing your regular income tax by the following credits:

1) Foreign tax credit.
2) Credit for the elderly.
3) Investment credit.
4) Credit for contributions to candidates for public office.

Your tax liability, for purposes of this computation does not include any of the following taxes:

1) Minimum tax for tax preferences.
2) 10% tax on premature distributions to owner-employees.
3) Tax on lump-sum distributions.
4) Additional tax on income from certain retirement accounts.
5) Accumulated earnings tax.
6) Personal holding company tax.
7) Tax on certain capital gains of Subchapter S corporations.
8) Additional tax resulting from recoveries of foreign expropriation losses.

Research Credit

The research credit is designed to encourage businesses to increase the amounts they spend on research and experimental activities. The credit is equal to 25% of the increase in your research expenses for the year over your average research expenses during an earlier base period. You can take the credit beginning with research expenses you have after June 30, 1981, and before January 1, 1986.

However, only a business can take this credit. Individuals and organizations that are not in a trade or business are not allowed a credit for any of their research expenses. Moreover, you can only take the credit for research you actually fund. If a part of your research is financed by someone else, whether under a contract or grant or in some other way, you cannot use that amount to figure the credit.

Qualifying Research

Not all research qualifies for the credit. In general, it must be the kind of research for which you are allowed to deduct or amortize your expenses under other provisions of the tax law. That is, the credit applies only to research and development in the experimental or laboratory sense.

However, you can take the credit only for research you do or pay for in carrying on your trade or business. This can include developing or improving a product, a formula, an invention, a plant process, an experimental or pilot model, or something similar.

You *cannot* take the credit for any of the following:

1) Research done outside the United States.
2) Research in the social sciences or humanities.
3) The ordinary testing or inspection of materials or products for quality control.
4) Market and consumer research.
5) Advertising or promotion expenses.
6) Management studies and efficiency surveys.
7) Research to find and evaluate mineral deposits, including gas and oil.

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Patents. Getting a patent, including making and protecting a patent application, is treated as "research" that qualifies for the credit. However, acquiring someone else's patent, or someone else's production or process, does not qualify for the credit.

Research Expenses

When figuring the credit, you can include 4 kinds of research expenses:

1) Wages for the employees doing the research.
2) The cost of supplies used in the research.
3) Payments to others (such as lease payments) for the right to use personal property in the research.
4) Contract research expenses, that is, the cost to you of research someone other than your employee does for you. However, only 65% of contract research expenses can be used to figure the credit.

If an expense does not fall into one of these categories, or if it is not for qualified research, you cannot use it to figure the credit. (However, corporations should also see *Basic Research*, later.)

The following paragraphs discuss each of these 4 types of expenses.

Wages. Only wages you pay employees for actually doing research work, or for directly supervising or directly supporting research work, qualify for the credit. Wages you pay for overhead, for general and administrative services, or for other work that is only indirectly connected to the research do not qualify.

Example. In your business, you employ 5 staff chemists and technicians. They work on developing new products that you hope to produce and sell. You also have a senior chemist who supervises the work of the research staff, and a secretary who types reports and letters, does library work, and answers the telephone for them. When you figure the credit, you can include as research expenses the wages of all 7 of these employees.

However, no part of the wages you pay to employees who prepare salary checks for the research staff, who arrange loans for the research, or who clean the building each day can be used to figure the credit.

Figuring wages. In general, for figuring the research credit, "wages" means the same as it does for income tax withholding. However, you cannot include any wages you use to figure the targeted jobs credit.

If an employee does some work for you that qualifies for the credit and some work that does not, you must divide the employee's wages between the two. Only the part of the wages that is for the work of doing, supervising, or supporting qualifying research can be included when figuring the credit. However, if at least 80% of the employee's work during your tax year would qualify, you can count 100% of the employee's wages when figuring the credit.

Partners and sole proprietors. If you are the sole proprietor of your business, you can treat your earned income from the business as wages. Therefore, if a part of the work you do in the business is research work, or the direct supervision or support of research work, you can include a part of your earned income as a research expense when you figure the credit. You must divide your earned income between work that qualifies for the credit and work that does not qualify, just as you would divide the wages of an employee.

The same rule applies to partners who have at least a 10% interest in the partnership. If the partner is involved in the research work, the partnership can include a part of the partner's earned income from the partnership when figuring the credit.

Supplies. When figuring the credit, you can include the cost of any supplies used in the research. All tangible property used in the research is considered supplies, except for the following 2 types:

1) Land and improvements to land, and
2) Depreciable property.

You can never treat depreciable property as supplies. It does not matter whether or not you can take depreciation deductions on it or whether or not you can take an expense deduction for it.

Payments to others. Research expenses include any payments you make to others for the right to use personal property in your research. Rent for real property is never included as a research expense. Also, you cannot treat intercompany charges as a research expense.

Contract research expenses. You can include only 65% of your contract research expenses when you figure the credit. A contract research expense is one that you pay or incur for research that someone else does for you. It is different from the other 3 types of research expenses, which are for research you do "in house."

Only the person who pays for the research can claim the credit. The person who does the research for you cannot also claim the credit. Payments to your employees are not contract research expenses.

Prepayments. If you pay for qualified research that will be done after the end of your tax year, you must treat the payment as having been made in the year the research is actually carried out.

Example. You use the calendar year as your tax year. In December 1982, you pay a research firm $100,000 to do research for you in 1983. The research qualifies for the credit. None of the $100,000 counts as a research expense for your 1982 tax year. However, $65,000 (65% of $100,000) is a research expense for your 1983 tax year.

Basic Research

A corporation can treat certain payments it makes for basic research as contract research expenses. Thus, a corporation can include 65% of certain amounts it provides for basic research (subject to the prepayment limitation) when figuring the research credit. This is in addition to any other expenses it has for qualifying research.

"Basic research" means any original investigation to advance scientific knowledge not having a specific commercial objective. However, basic research done outside the United States and research done in the social sciences or humanities are not included.

Only corporations can figure the credit on expenses for basic research. Individuals and unincorporated businesses cannot take a credit for any payments they make for basic research. In addition, the credit on basic research expenses does not apply to:

1) A Subchapter S corporation,
2) A personal holding company, or
3) A corporation whose principal business is performing services.

To be eligible for the credit, a payment for basic research must be made under a written research agreement to a qualifying organization. Three kinds of organizations qualify:

1) A public or nonprofit institution of higher education such as a college, university, or vocational school.
2) A tax-exempt organization, other than a private foundation, that is organized and operated primarily to carry out scientific research.
3) A fund that chooses to qualify.

Funds. To be an organization to which a corporation can make payments for basic research that are eligible for the research credit, a fund that chooses to qualify must meet all four of the following requirements:

1) It must be organized and operated *exclusively* to make grants for basic research to public or nonprofit institutions of higher education—that is, to colleges, universities, vocational schools, and similar institutions.
2) It must be tax-exempt.
3) It cannot be a private foundation.
4) It must be set up and maintained by an organization that is itself tax-exempt and not a private foundation. This organization must have been in existence before July 10, 1981.

If a fund meets all four of these requirements, it can choose to be a qualifying organization. After it makes this choice, the payments a corporation makes to it will be eligible for the research credit (subject to the prepayment limitation).

Another effect of the choice is that the fund will be treated as a private foundation for tax purposes, even though it is not one otherwise. However, the fund will not have to pay the excise tax that applies to investment income of private foundations.

Making the choice. To choose to be treated as a qualified organization, a fund must send a statement to the Internal Revenue service center where it files its annual return. The statement must say that the choice is being made under Section 44F(e)(4) of the Internal Revenue Code. The statement must be signed by a person authorized to act for the organization and must provide all information necessary to show that the organization can make the choice. It must also show all of the following:

1) The name, address, and taxpayer identification number of the fund.
2) The name, address, and taxpayer identification number of the organization that set up the fund.
3) The date the choice becomes effective.

For funds that make the choice before February 1, 1982, the effective date cannot be before July 1, 1981. For funds that make the choice after January 31, 1982, the effective date cannot be before the date the choice is made.

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Revoking the choice. To change its choice to be treated as a qualified organization, a fund must get the consent of the Commissioner of Internal Revenue.

To do this, it should send an application to change the choice to the Internal Revenue service center where it sent the statement making its original choice. This application must contain the following:

1) The names, addresses, and taxpayer identification numbers of all parties identified in the original choice.
2) An indication that the choice was made under Section 44F(e)(4) of the Internal Revenue Code.
3) A statement of what the choice covered.
4) An explanation of why the change is wanted.

Figuring the Credit

The amount of credit you are allowed for a tax year is 25% of the amount that your qualified research expenses for the year are more than your average qualified research expenses for an earlier base period. If your qualified research expenses for the year do not increase over your average qualified research expenses during the base period, there will be no credit.

Example. You use the calendar year as your tax year. In 1982, $50,000 of your research expenses qualify for the credit. Your average research expenses during the base period were $30,000. Your research credit for 1982 is $5,000, that is, 25% of $20,000 ($50,000 − $30,000).

Base period. To figure research expenses for the base period, use only those amounts that would qualify for the credit if you spent them in your current tax year. This includes every type of expense that was discussed earlier: wages, supplies, payments to others, 65% of contract research expenses and, for certain corporations, 65% of the payments they make for basic research.

Generally, the base period is the last 3 tax years before the year for which you are figuring the credit. However, for the first tax year ending after June 30, 1981, that began in 1980 or 1981, your base period is the preceding tax year. For your second tax year ending after June 30, 1981, that begins in 1981 or 1982, your base period is the preceding 2 tax years. Therefore, if you use the calendar year as your tax year, the base period for 1981 is 1980, and the base period for 1982 is 1980 and 1981.

Example. You use the calendar year as your tax year. You have $100,000 of qualified research expenses in 1980 and $130,000 of qualified research expenses in 1981. For your 1982 tax year, your base period includes all of 1980 and 1981. Your base period research expenses will be $115,000, the average of your research expenses in 1980 ($100,000) and 1981 ($130,000). If you have $150,000 of qualified research expenses in 1982, you will figure your 1982 credit on $35,000 ($150,000−$115,000). This will give you a research credit of $8,750 for 1982 (25% of $35,000).

New businesses. If your business did not exist during a part of your base period, you are treated as if you were in business but had no research expenses during that time period.

50% limit. When figuring the credit on your qualified research expenses for the year, you must first subtract your base period research expenses. However, the amount you use as base period research expenses cannot be less than 50% of your research expenses for the year. If they are less than 50%, you must substitute an amount that is at least at the 50% level. In other words, you cannot figure the credit on more than one-half of the research expenses that qualify for the credit each year. This limit applies every year, even if you had no research expenses during the base period. It applies to all businesses, including new ones.

Example. You start your business on January 1, 1982, and use the calendar year as your tax year. You have $15,000 in research expenses that qualify for the credit in 1982, $15,000 in 1983, and $150,000 in 1984. The base period for figuring your credit for 1984 is the preceding 3 years, 1981, 1982, and 1983. Your actual base period research expenses are $10,000, the average of your expenses for 1981 ($0), 1982 ($15,000), and 1983 ($15,000). Because $10,000 is less than 50% of your research expenses for 1984 ($150,000), you must use at least $75,000 (50% of $150,000) as your base period research expenses to figure the credit. In other words, you can figure the credit on no more than half of the $150,000. Your maximum credit for 1984 will be $18,750 (25% of $75,000).

Short tax years. If you have a short tax year (one that is less than 12 months), you must figure your qualified research expenses for that tax year on an annual basis. Regulations will be written to show you how to do this.

Using the Credit

The credit is used to reduce, dollar for dollar, the amount of tax you must pay. However, there are limits on how much credit you can claim each year. If you cannot use all of the credit in the year you earn it, you can generally carry it back or forward and use it to reduce your tax in other tax years.

Tax liability limit. The amount of research credit you take in any tax year cannot be more than your income tax liability that year. However, for the purpose of figuring this limit, do not include any of the following taxes:

1) Minimum tax.
2) Tax on premature distributions to owner-employees from a retirement plan.
3) Additional tax on income from certain retirement accounts.
4) Tax on lump-sum distributions from a retirement plan.
5) Accumulated earnings tax.
6) Personal holding company tax.
7) Tax on certain capital gains of Subchapter S corporations.
8) Any additional tax imposed as a result of recoveries of foreign expropriation losses.

Before you use the research credit to reduce your tax, you must first use the following credits if you have them:

1) Foreign tax credit.
2) Credit for the elderly.
3) Investment credit.
4) WIN credit.
5) Credit for political contributions.
6) Credit for child and dependent care expenses.
7) Jobs credit.
8) Residential energy credits.
9) Nonconventional source fuel credit.
10) Credit for alcohol used as fuel.
11) Possessions corporation tax credit.

After using these credits to reduce your tax, you can use the research credit. However, you cannot use it to reduce the remaining tax to less than zero.

Passthrough limit. A special limit applies if you take the credit that was earned by your business on your own tax return. This can happen if you are:

1) A sole proprietor of your business,
2) A partner in a partnership,
3) A shareholder in a Subchapter S corporation, or
4) A beneficiary of an estate or trust.

Partnerships, Subchapter S corporations, estates, and trusts pass through the credits they earn to their partners, shareholders, and beneficiaries.

To figure the limit, first figure how much of your income tax is due to the part of your taxable income that comes from the business that earned the credit. You cannot take the credit for more than this amount of tax. Compare this amount to the amount you figured as your tax liability limit, discussed above. The smaller of the two is the maximum amount of research credit that you can take for the year.

Carrybacks and carryovers. If you cannot use part or all of your research credit because of these limits, the part you do not use can be carried back for 3 years and carried forward for 15 years and subtracted from your tax in those years. In this way, you may be able to claim a refund of all or part of the taxes you paid in your last 3 tax years. First carry the credit back to the earliest of your last 3 tax years, even if the research credit was not in effect that year. If it is not all used up in that year, carry it to the second earliest tax year and so on. Any credit that you cannot use up in this way can be carried over to future tax years. You can carry the credit over for 15 years or until you use it all up, whichever comes first.

If because of a carryover or carryback, you have research credits from more than one year to use in the same year, you must use them in the following order:

1) First, use the credit that was earned in that year.
2) Next, use the credits you are carrying to that year, starting with the one from the earliest year.

The total amount of credit you can take in a single year, including carryovers and carrybacks, cannot be more than your tax liability limit or your passthrough limit for that year.

Claim for refund. If you carry the research credit back, you can get a refund of the earlier year's tax by filing an amended return. Use Form 1040X, *Amended U.S. Individual Income Tax Return*, or Form 1120X, *Amended U.S. Corporation Income Tax Return*, if your original return for the earlier year was a Form 1040 or 1120. File the amended return within 3 years after the due date (including extensions) of your return for the year you earned the credit. For example, if you are a calendar year taxpayer, you should file an amended return by April 15, 1986, to get a refund of 1979 taxes because of a research credit carryback from 1982.

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The time for filing an amended return is different if your research credit carryback is caused by a net operating loss, capital loss, investment credit, or jobs credit that is carried back from a later tax year to the year you earned the research credit. If this happens, you have until 3 years after the due date (including extensions) of your tax return for the later year—that is, 3 years after you are required to file your return for the year in which the net operating loss, capital loss, investment credit, or jobs credit occurred.

Quick refunds. You may be able to get a quick refund of an earlier year's taxes. For a quick refund, file Form 1045, *Application for Tentative Refund*, if you filed an individual income tax return, or Form 1139, *Corporation Application for Tentative Refund*, if you filed a corporate return. These forms must be filed within 12 months after the end of the tax year in which you earn the credit.

For a research credit carryback that is caused by a net operating loss, capital loss, investment credit, or jobs credit that is carried back from a later tax year to the year you earned the research credit, you have until 12 months after the end of the later tax year to file your application for the quick refund.

Businesses under Common Control

Generally, the research credit for a group of trades or businesses under common control is figured as if the group were a single business. One credit is figured for the entire group and then divided among the members. The division is based on each member's share of the total increase in the group's research expenses.

The rules you use to decide whether your trade or business is under common control for figuring your research credit are the same as the rules that are used to decide if there is common control for figuring the targeted jobs credit. For a discussion of these rules, see *Trades or Businesses under Common Control* under *Targeted Jobs Credit*, earlier in this publication. A business can be under common control with one or more other businesses whether it is a corporation, a partnership, a sole proprietorship, an estate, or a trust.

Figuring the credit. If your trade or business is under common control, use the following steps to figure your research credit:

1) Add up the research expenses for the tax year for all members of the controlled group.
2) Add up the base period research expenses for all members of the group.
3) Subtract (2) from (1). The result is the increase in the entire group's research expenses.
4) Figure the credit for the group. This will be 25% of the difference you got in step (3). However, if the amount from step (2) is less than 50% of the amount from step (1), the group's credit is 25% of an amount equal to one-half of (1).
5) Divide the group credit from step (4) among the members of the group based on each member's share of the amount from step (3).

Example. Ash Company has two subsidiaries, Beech Enterprises and Maple Manufacturing. The following table shows the base period research expenses and the research expenses that qualify for the credit during the current tax year for each company.

Company	Base period (average)	Current year expenses	Increase (Decrease)
Ash	$30,000	$ 60,000	$30,000
Beech	15,000	10,000	($5,000)
Maple	20,000	35,000	15,000
Totals	$65,000	$105,000	$40,000

The group's total increase in research expenses is $40,000 ($30,000 increase by Ash plus $15,000 increase by Maple minus $5,000 decrease by Beech). Therefore, the group's allowable credit is $10,000 (25% of $40,000). Only Ash and Maple actually increased their research expenses, so all of the group's credit is divided between them. Because Beech's expenses did not increase, it cannot share in the credit. The individual increases by Ash and Maple total $45,000. Therefore, Ash Company claims 30/45 of the total credit ($6,667), and Maple Company claims 15/45 ($3,333).

Passthrough Entities

A Subchapter S corporation divides its credit among its shareholders at the end of its tax year. The shareholders then claim their shares of the credit on their own income tax returns.

Estates and trusts divide the credit among themselves and their beneficiaries. The division is made in the same way that the division is made for income.

Partnerships must divide their allowable credit among the partners.

Acquisitions and Dispositions

If, after June 30, 1980, you acquire or dispose of a business or a part of a business, you must use special rules to figure your research credit. These rules do not apply if there is only a transfer of some assets used in a trade or business. The part of the business that is transferred must be at least large enough to be operated as a viable business.

Acquisitions. If you acquire a business or a part of a business, then for purposes of figuring the credit for a tax year ending after the date of acquisition, you must increase the amount you count as your research expenses for the period before the acquisition. You must add in the previous owner's research expenses that are attributable to the part of the business you acquired. This adjustment is made when figuring both base period research expenses and research expenses for the current year.

Dispositions. If you dispose of a portion of your trade or business, then for purposes of figuring the credit for a tax year ending after the date of disposition, you must decrease the amount you count as your research expenses for the period before the transfer. You must subtract out the part of your research expenses that are attributable to the portion of your business that you disposed of. However, you can only make this decrease if you give the new owner the information needed to make the increase discussed in the previous paragraph.

If you make this decrease and within your 3 tax years following the tax year of disposition, you reimburse the new owner for research done for you, you will have to add back some or all of this decrease. If this reimbursement is made, you increase your qualified research expenses for your base period for the tax year when you made the reimbursement. Add back the smaller of the following amounts:

1) The amount of the original decrease you made for the base period; or
2) The amount of the reimbursement times the number of years in the base period.

This rule applies only when figuring the base period research expenses for the year of the reimbursement, and only if the reimbursement is made within 3 years of the transfer.

The adjustment required by this rule must be made even if another member of your controlled group reimburses the new owner, and even if another member of the new owner's controlled group is the one reimbursed.

How To Take the Credit

Use Form 6765, *Credit for Increasing Research Activities*, to figure your credit, and attach it to your income tax return. In addition to filing Form 6765, Subchapter S corporations, estates, trusts, and partnerships must also complete Schedule K–1 to show how the credit was divided among their shareholders, beneficiaries, or partners.

Example

Gene Oak is the sole proprietor of his own small metal products company. Gene uses the calendar year as his tax year and figures his research credit on Form 6765. His filled-in form is shown at the end of this publication.

Until September 1982, Gene employed 2 metallurgists to do research on developing new products and metalworking processes for the company. On September 1, 1982, he hired a third metallurgist to do the same kind of work. The wages Gene paid to all 3 of the employees are qualified research expenses. So are the amounts he spends on supplies used in the research and 50% of the rent he pays on equipment used half-time in the research. He enters the amounts for each of these expenses on lines 1a, 2a, and 3a. Then he adds all three amounts and enters the total, $58,000, on line 5a.

Gene's base period for 1982 is 1980 and 1981. In those years, he had the same kinds of research expenses—for wages, supplies, and equipment rental—as in 1982. He adds the amount of research wages for both years and divides the total by 2. This gives him his average annual amount spent for research wages in his base period for 1982. Gene enters this average on line 1b. He makes the same computation for the other 2 kinds of expenses and enters the averages on lines 2b and 3b. Then he adds the amounts on lines 1b, 2b, and 3b and puts the total on line 6b. This is his total base period research expenses.

Gene's increase in expenses that qualify for the credit, the difference between lines 5a and 6b, is $8,000. Because this is less than the 50% limit, he enters $8,000 on line 7.

Gene's tax on Form 1040 is $8,506. He has no other credits, including no carrybacks or carryovers, to use in 1982. His credit for 1982, then, is 25% of the $8,000 increase in qualified research expenses, or $2,000.

Gene claims his credit by entering the $2,000 on line 48 of Form 1040. On the dotted line to the left of this entry he writes "Research." For more information, see the instructions to Form 6765.

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APPENDIX B: ON-THE-JOB TRAINING REFERENCE MATERIALS

- Training Planning Worksheets
- Sample Training Outline
- Sample On-the-Job Training Contract

OJT Training Plan Worksheet

1. Think about a position that would be appropriate for (eventual) OJT.

2. List the basic skills required in this position:

_____.	_____Days
_____.	_____Days
_____.	_____Days
_____.	_____Days
_____.	_____Days
_____.	_____Days

3. List the main functions and/or tasks involved in the job:

_____.	_____Days
_____.	_____Days
_____.	_____Days
_____.	_____Days
_____.	_____Days
_____.	_____Days

4. List any equipment or tools that need to be used in this job:

_____.	_____Days
_____.	_____Days
_____.	_____Days
_____.	_____Days

5. Number the items in Steps 2-4 in the order they should be learned if someone is to be trained efficiently and effectively. Use the lines to the left of each item.

6. In the space next to each item, write the number of hours--or days-- you figure it will take for the trainee to master each item. Be sure to figure in "practicum" time where appropriate.

OJT Training Plan Worksheet

1. Think about a position that would be appropriate for (eventual) OJT.

Electronic Assembler

2. List the basic skills required in this position:

_____.	Hand soldering	_____Days
_____.	Reading color codes	_____Days
_____.	Recognizing unit components	_____Days
_____.	Following schematics	_____Days
_____.	Reading component values	_____Days
_____.	Wire stripping and cutting	_____Days
_____.	Following pictorials	_____Days

3. List the main functions and/or tasks involved in the job:

_____.	Sort electronic parts	_____Days
_____.	Assemble unit components	_____Days
_____.	Build small modular units	_____Days
_____.	Clean components	_____Days
_____.	Disassemble unit components	_____Days
_____.	Quality control-making sure assembled components match plans	_____Days

4. List any equipment or tools that need to be used in this job:

_____.	Soldering irons	_____Days
_____.	Screwdrivers	_____Days
_____.	Wrenches	_____Days
_____.	Pliers	_____Days

5. Number the items in Steps 2-4 in the order they should be learned if someone is to be trained efficiently and effectively. Use the lines to the left of each item.

6. In the space next to each item, write the number of hours--or days-- you figure it will take for the trainee to master each item. Be sure to figure in "practicum" time where appropriate.

OJT Training Plan Worksheet

1. Think about a position that would be appropriate for (eventual) OJT.

   Electronic Assembler

2. List the basic skills required in this position:

9	Hand soldering	10 Days
2	Reading color codes	1 Days
1	Recognizing unit components	1 Days
7	Following schematics	3 Days
3	Reading component values	1 Days
6	Wire stripping and cutting	5 Days
7	Following pictorials	2 Days

3. List the main functions and/or tasks involved in the job:

4	Sort electronic parts	5 Days
10	Assemble unit components	10 Days
12	Build small modular units	10 Days
8	Clean components	1 Days
11	Disassemble unit components	5 Days
13	Quality control-making sure assembled components match plans	5 Days

4. List any equipment or tools that need to be used in this job:

9	Soldering irons	10 Days
5	Screwdrivers	1 Days
5	Wrenches	1 Days
5	Pliers	1 Days

5. Number the items in Steps 2-4 in the order they should be learned if someone is to be trained efficiently and effectively. Use the lines to the left of each item.

6. In the space next to each item, write the number of hours--or days-- you figure it will take for the trainee to master each item. Be sure to figure in "job practice" time where appropriate.

SAMPLE

Training Outline
for
Electronic Assembler

		DAYS/HRS.
1.	Orientation and safety	1/8
2.	Identify component parts	1/8
3.	Reading color codes and component values	2/16
4.	Sorting parts	5/40
5.	Using screwdrivers, pliers, wrenches	2/16
6.	Wire cutting and stripping	5/40
7.	Handling components	5/40
8.	Following schematics and pictorials	5/40
9.	Cleaning components	1/8
10.	Hand soldering	10/80
11.	Assembling and disassembling unit components	15/120
12.	Building modular units	10/80
13.	Quality control	5/40
	TOTAL	65/520

National Alliance of Business

AGREEMENT # _____

CONTRACTOR:

SAMPLE

I.R.S. EMPLOYER I.D. # _____

ISSUING OFFICE:

NATIONAL ALLIANCE OF BUSINESS
1015 15th Street, N.W.
Washington, D.C. 20005

TYPE OF COMPANY:

Corporation_____ Sole Proprietor_____

Partnership_____ Non-Profit_____

SOURCE OF FUNDS: _____

TYPE OF TRAINING: _____

LIST OCCUPATIONS:

1) _____
2) _____
3) _____
4) _____
5) _____

TRAINING PERIOD:

Beginning: _____

Last day of hire: _____

Completion: _____

TOTAL NUMBER OF TRAINING POSITIONS: _____

TOTAL FIXED UNIT PRICE FOR TRAINING: _____

LOCATION OF TRAINING FACILITY: _____

_____

PERSON(S) IN CHARGE OF TRAINING: _____

_____

AUTHORIZED REPRESENTATIVE:

NAME: _____

TITLE: _____

PHONE: _____

AUTHORIZED REPRESENTATIVE:

NAME: _____

TITLE: _____

PHONE: _____

CONTRACT SERVICE REPRESENTATIVE: _____

_____

AGREEMENT #_____

OCCUPATION #_____

OCCUPATION	DOT/SVP CODES	STARTING WAGE	ENDING WAGE
		$ /hour	$ /hour

FUNDED WAGE RATE (____%)	NUMBER OF TRAINING DAYS/HOURS	COST PER POSITION	NUMBER OF TRAINEE POSITIONS	ADDITIONAL COSTS TO BE REIMBURSED	TOTAL COST PER OCCUPATION
$ /hr.		$		$	$

TRAINING OUTLINE:	DAYS/HOURS
TOTAL:	

MINIMUM JOB REQUIREMENTS AND QUALIFICATIONS:

TRAINING CONSULTATIONS:

A. Is this occupation covered under a collective bargaining agreement? _____
B. If YES, has the appropriate Union representative been notified of this agreement and proposed wage rates? _____
C. If YES, a letter of concurrence should accompany this agreement.
D. Is formal training on-going in this occupation elsewhere in the community? _____
   Source: _____
E. If YES, have appropriate representatives been consulted? _____
   When: _____ Who: _____
F. Is this an appreticeable occupation? _____
G. If YES, or if unknown, has the B.A.T. been notified? _____
H. If YES, please attach a copy of the correspondence.

AGREEMENT #_____

OTHER REPRESENTATIVE(S) AUTHORIZED TO SIGN REIMBURSEMENT INVOICES:

Signature _____ Signature _____

Type Name _____ Type Name _____

Title _____ Title _____

Date _____ Date _____

CONTRACTOR'S SIGNATURE

"I understand and will abide by this training agreement and all provisions of the OJT program hereby incorporated by reference and made part of this agreement. As the undersigned, I am a duly authorized representative of the Contractor and have authority to commit the Contractor to this agreement."

Signature _____

Type Name _____

Title _____

Date _____

ISSUING OFFICE'S SIGNATURE

"A legitimate need for training and the expectation of continued employment for the person(s) completing training in the occupation(s) listed in this proposal has been established by the Issuing Office's Representative."

Signature _____

Type Name _____

Title _____

Date _____

CONTRACTOR'S CERTIFICATION (CORPORATIONS ONLY)

I, _____, certify that I am the _____, of the corporation named as Contractor here, that _____ who signed this agreement on behalf of the Contractor, is the _____ of said corporation; that said agreement was duly signed for in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

Signature _____ Date_____

APPROVAL:

Signature _____ Date _____

Type Name _____

Title _____

APPENDIX C: GLOSSARY

The following are commonly used terms in employment and training.

Administrative Entity — Designated by agreement between the private industry council and local elected officials. The program administrator has direct operational authority and is responsible for the day-to-day administration of training and employment programs under the Job Training Partnership Act.

Chief Elected Official (CEO) — Highest elected official of a given governmental entity, usually the mayor of a municipality, the governor of a state, or the county executive. This person represents the public partner under the Job Training Partnership Act.

Classroom Training (CT or CRT) — A program activity in which training is conducted in an institutional setting to provide the technical skills and information required to perform a specific job or to upgrade basic skills.

Customized Training — Training conducted with a commitment by an employer or group of employers to employ an individual upon successful completion of that training.

Dislocated Worker — An individual who has been terminated or laid-off and is unlikely to return to his/her previous occupation; or has been terminated as a result of any permanent closure of a plant or facility; or is long-term unemployed and has limited opportunities for re-employment in the same occupation.

Economically Disadvantaged	An individual who is a member of a family which meets specific income criteria established by the Department of Labor.
Employment and Training Administration (ETA)	A division of the U.S. Department of Labor that is the administering agency for employment and training programs on a nationwide basis; operates through ten regional offices.
Form 5884 (IRS)	Jobs Credit. Internal Revenue Service form used to compute and report the amount of income tax credit for wages paid or accrued for Targeted Jobs Tax Credit or WIN employees.
Form 8470 (ETA)	Employer Certification. Employment and Training Adminstration (ETA) form used to certify employee eligibility for the Targeted Jobs Tax Credit. This form is issued by the State Employment Security Agency to the employer for the employer's tax file.
Form 6199 (IRS)	Certification of Youth Participating in a Qualified Cooperative Education Program. Internal Revenue Service form used to certify eligibility for the cooperative education student category under the Targeted Jobs Tax Credit.
Grant Recipient	Legal entity, designated by agreement between the PIC and local elected officials, which receives program funds directly from the state. A grant recipient is legally liable for the expenditure and disposition of these funds.
IRS Publication 906	Internal Revenue Service publication (Revised November, 1979) explaining the provisions of and process for using the Targeted Jobs Tax Credit.

Job Service	The local office of the State Employment Security Agency.
Job Service Employer Committee (JSEC)	A nationally developed network of advisory councils to the State Employment Security Agency designed to provide business input in improving the role and function of the Employment Service.
Job Training Partnership Act (JTPA)	Federal legislation signed into law October 13, 1982 which replaces the Comprehensive Employment and Training Act. JTPA increases state responsibility for local operations and enhances the role of the private sector through local private industry councils. PICs and local governments will share planning and operation of employment and training programs.
Lower Living Standard Income Level	That income level (adjusted for regional, metropolitan, urban and rural differences and family size) used to determine eligibility for service under JTPA.
Labor Market Area (LMA)	Definable area in which there is considerable economic integration and within which workers can and do readily change jobs without changing their places of residence. Usually a central city or cities and the surrounding commuting area.
National Alliance of Business (NAB)	A business-led, non-profit corporation working in partnership with business, labor, government, education and community groups to reduce unemployment problems of economically disadvantaged youths and adults.
On-The-Job Training Agency	The agency or organization that has been designated by the local private industry council and chief elected official.

Performance Standards	Statements of measurable results to be achieved and used to ascertain success or effectiveness. JTPA emphasizes private sector placements, increased earnings and reduced welfare dependency.
Pre-employment Training	Focuses on preparation for work and may include instruction and activities such as counseling, introduction to the world of work, remedial education, occupational exploration, basic life skills training and job-seeking skills training.
Private Industry Council (PIC)	A council comprised of representatives of local private businesses and other job training related organizations as prescribed in JTPA. It is the responsibility of the private industry council to provide policy guidance for, and exercise oversight with respect to, activities conducted under JTPA in its service delivery area in partnership with the unit or units of general local government within the SDA.
Public/ Private Partnership	A formal agreement between two sectors to define and resolve community problems for their mutual benefit.
Retraining	Training of individuals who are unemployed or who have received a bona fide notice of impending layoff and who have little opportunity to be reemployed in the same or equivalent occupation of skill level within the SDA.
Service Deliverers	Any organization or firm which provides services or performs activities.
Service Delivery Area (SDA)	The geographic area in which JTPA training programs for disadvantaged individuals are planned and delivered. SDAs are designated by governors, but certain entities, such as units of local government with over 200,000

	populations, have the legal right to automatic designation if they so request.
Service Delivery System	The coordinated system of providing services to a client community, including planning, administration, service provision, etc.
State Employment Security Agency (SESA)	The state agency responsible for the oversight and administration of unemployment insurance and job service programs including the Targeted Jobs Tax Credit.
Supportive Services	Services provided to participants which are not employment-related but which are necessary to enable individuals to participate in employment and training programs, including health care and medical services, child care and transportation.
Targeted Jobs Tax Credit (TJTC)	An elective tax credit that applies to wage costs of eligible employees and is equal to 50 percent of the first year wages up to $1,500. For summer youth, the credit is 85 percent of the first $3,000 paid in wages. Youth, ex-offenders, and the economically disadvantaged are eligible, in addition to other groups as determined by the State Employment Security Agency.
U.S. Employment Service (ES)	Serves as a contact between employers and the nation's employment and training system through job placement services. JTPA requires ES to undertake joint planning with PICs and chief elected officials of SDAs to promote coordination at the state and local levels.
Upgrading Training	Training given to an individual who needs training to advance above an entry-level or dead-end employment position.

Work Incentive Program (WIN)	WIN offers job search, referral and placement services for AFDC recipients able to work. Under JTPA, coordination between WIN and employment and training programs will be improved through referrals of WIN registrants to appropriate JTPA services.

NATIONAL ALLIANCE OF BUSINESS
REGIONAL SERVICE OFFICES

NEW ENGLAND

Connecticut, Maine, Massachusetts
New Hampshire, Rhode Island, Vermont

Timothy Anderson
Regional Vice President
National Alliance of Business
190 High Street, Suite 400
Boston, Massachusetts 02110
617/426-4315

MIDDLE ATLANTIC

Delaware, District of Columbia, Maryland
Pennsylvania, Virginia, West Virginia

Andrea Perry
Regional Vice President
National Alliance of Business
Two Penn Center, Suite 1412
Philadelphia, Pennsylvania 19102
215/665-0254

MIDWEST

Illinois, Indiana, Iowa,
Minnesota, Wisconsin

Jack R. Fitzpatrick
Regional Vice President
National Alliance of Business
Six North Michigan Avenue, Suite 708
Chicago, Illinois 60602
312/346-1182

WEST

Arizona, California, Guam, Hawaii,
Nevada, Pacific Islands

Ronald D. Cannon
Regional Vice President
National Alliance of Business
681 Market Street, Suite 833
San Francisco, California 94105
415/391-4061

CENTRAL

Michigan, Ohio

Thomas F. Riley
Regional Vice President
National Alliance of Business
Western Reserve Building
1468 West Ninth Street, Suite 640
Cleveland, Ohio 44113
216/566-9955

NORTH ATLANTIC

New Jersey, New York, Puerto Rico,
Virgin Islands

Cliff Anderson
Regional Vice President
National Alliance of Business
200 Madison Avenue, Third Floor
New York, New York 10016
212/561-2107

SOUTHEAST

Alabama, Florida, Georgia, Kentucky, Mississippi,
North Carolina, South Carolina, Tennessee

William "Sonny" Walker
Regional Vice President
National Alliance of Business
100 Edgewood Avenue, Suite 1800
Atlanta, Georgia 30303
404/522-9350

SOUTHWEST

Arkansas, Kansas, Louisiana, Missouri,
New Mexico, Oklahoma, Texas

Henry L. McHenry
Regional Vice President
National Alliance of Business
Three Northpark
8800 North Central Expressway
Dallas, Texas 75231
214/373-0854

ROCKY MOUNTAIN

Colorado, Montana, Nebraska, North Dakota,
South Dakato, Utah, Wyoming

Dennis Rezendes
Regional Vice President
National Alliance of Business
7475 Dakin Street, Suite 613
Denver, Colorado 80221
303/428-0440

PACIFIC NORTHWEST

Alaska, Idaho, Oregon, Washington

Rueben Flores
Regional Vice President
National Alliance of Business
1111 Third Avenue, Suite 255
Seattle, Washington 98101
206/622-2531